

INVESTIGATIVE REPORT BY THE STATE AUDITOR OF CALIFORNIA

**Employees Of The University Of California, San Francisco,
Improperly And Illegally Managed
The Center For Prehospital Research And Training**



CALIFORNIA STATE AUDITOR

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November 22, 1994

Investigative Report
Case I930279

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Pursuant to the Reporting of Improper Governmental Activities Act, the Bureau of State Audits presents its investigative report concerning the Center for Prehospital Research and Training (CPRT) at the University of California, San Francisco (UCSF). This report concludes that the UCSF grossly mismanaged the CPRT. As a result of this gross mismanagement, the UCSF cannot assure the State's taxpayers that its funds were accounted for and spent properly. Also, the UCSF did not safeguard its resources and failed to promote an effective and efficient use of resources at the CPRT.

Respectfully submitted,

KURT R. SJOBERG
State Auditor

I930279, November 1994

California State Auditor
Bureau of State Audits

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Summary

Allegation Employees of the University of California, San Francisco (UCSF), illegally and improperly managed the Center for Prehospital Research and Training (CPRT) and the Foundation for Medicine (foundation).

Results of Investigation We conducted an investigation and substantiated the allegation. Specifically, we found the following illegal and improper activities:

- A CPRT administrator had conflicts of interest related to the contracts between the UCSF and the Fire Department of the City and County of San Francisco (fire department). These conflicts of interest resulted in the unauthorized use of university resources for the benefit of the fire department. For example, the CPRT administrator misspent UCSF resources by providing free paramedic training to 12 fire department employees at the UCSF's expense. According to the UCSF contracts with the State, the value of this paramedic training was at least \$49,000.
- A CPRT administrator and other CPRT and UCSF employees conspired to submit falsified payroll documents for the purpose of paying at least 47 employees at a rate higher than approved by the university. As a result of these falsifications, the UCSF paid the employees at least \$72,579 more than they were entitled to receive between January 1991 and March 1994.
- Also, two CPRT employees certified to the City and County of San Francisco that one of the employees worked at the CPRT fewer than 20 hours per week. In contrast, documents submitted to the UCSF payroll system certified that the employee worked at the CPRT substantially more than 20 hours per week. It is clear that the certifications to the city, the certifications to the UCSF, or both are false.
- The UCSF charged the fire department \$23,600 more than it should have under the terms of the contracts between the UCSF and the fire department.

- Contrary to university policy, the CPRT opened a secret, unauthorized bank account. Further, the CPRT spent most of the \$62,126 deposited in the account in an improper and imprudent manner. For example, the CPRT improperly used the bank account to pay salary advances to both UCSF employees and nonemployees. Also, the CPRT improperly made automatic teller machine (ATM) withdrawals of \$11,817 in cash over 18 months. Moreover, the CPRT had almost no internal controls over the bank account to help safeguard university resources; to promote their effective and efficient use; and to prevent errors, irregularities, or illegal acts related to the account. Two CPRT employees claimed that a former employee made several unauthorized cash withdrawals using the ATM. However, the police were unable to verify the allegation because the CPRT failed to report the alleged theft promptly.
- The CPRT established an unauthorized petty cash fund. The CPRT improperly used ATM cash withdrawals of \$11,817 from its secret bank account as the source of most of the cash for the fund. Further, only \$4,725 (40 percent) of the \$11,875 for petty cash expenditures was supported by receipts. Another \$3,578 in expenditures could be explained, but could not be supported by receipts. The remaining \$3,572 is either missing or not documented.
- The CPRT and the foundation illegally commingled restricted gifts totaling \$186,412 with other restricted and unrestricted funds of the CPRT. As a result, neither the CPRT nor the donors have any assurance that the funds were spent in accordance with the donors' instructions. Finally, the CPRT imprudently spent some of its funds deposited in the foundation.
- The CPRT improperly deposited tuition fees of \$11,500 into a foundation account instead of a UCSF account.
- When soliciting donations, the CPRT made false and misleading statements to donors concerning the CPRT's legal status. In addition, the CPRT and the foundation improperly deposited donors' checks totaling approximately \$118,000, that should have gone to the

UCSF into the foundation's bank account. Also, the foundation illegally and improperly used UCSF resources for its fund-raising activities. Further, the foundation and the CPRT did not exercise due diligence when they contracted with a commercial fund-raiser to solicit funds. Consequently, they did not discover that the fund-raiser was not operating legally in California.

- Both a CPRT administrator and another CPRT official misused university resources for their personal use and benefit. For example, the administrator used CPRT staff to perform personal (non-CPRT) work, such as arranging travel, performing bookkeeping, filing documents, and hiring a housekeeper and child care provider. Further, the CPRT administrator used more than \$18,500 deposited in the foundation to benefit herself and her relatives. Another CPRT official used university resources to perform his personal (non-UCSF) services contracts with the fire department.
- An auditor hired by the executive of the Department of Medicine reported numerous irregularities in the operating of the CPRT. However, the executive did not provide the report to responsible university managers. As a result, university officials were severely handicapped in their ability to correct the irregularities found by the auditor. Finally, the CPRT's advisory board of directors was misled regarding the contents of the auditor's report by being told that the auditor found no evidence of misuse of funds or malfeasance with the bank account.

We conclude that the UCSF grossly mismanaged the CPRT. Specifically, a CPRT administrator did not manage the CPRT in accordance with established laws and university policies and procedures. In addition, the UCSF frequently changed the UCSF officials assigned responsibility for monitoring CPRT operations. Finally, several UCSF officials failed to correct the management problems at the CPRT after they became aware of these problems.

As a result, the UCSF cannot assure the State's taxpayers that the university's funds were accounted for and spent properly. Also, the UCSF did not safeguard its resources and failed to promote an effective and efficient use of resources at the CPRT.

Corrective Action

The UCSF reported that it has taken action to correct some of the problems discussed in this report including the falsification of hours worked to pay individuals salaries higher than those officially approved. In addition, the UCSF stated that both the outside bank account and the petty cash fund have been closed and all funds have been transferred to proper UCSF accounts. Further, the UCSF plans to formally recognize the Foundation for Medicine as a university support group as of December 31, 1994, and will assume more direct control over the foundation's fund-raising and accounting. Furthermore, the UCSF will assess the need for additional corrective action, including taking possible disciplinary action against one or more UCSF employees and addressing the need for more formalized training of campus leadership in their managerial responsibilities and accountability.

Finally, although the UCSF acknowledges several of the serious problems cited in our report, the UCSF disagrees with some of our findings and conclusions and contends that there are errors in and omissions from our report. We believe that our report is complete and accurate. A more complete discussion of the UCSF's response begins on page 71.

Introduction

Allegation We received an allegation under the Reporting of Improper Governmental Activities Act (act) that the Center for Prehospital Research and Training (CPRT) was improperly spending funds received from donors and from the State. In addition, it was alleged that the CPRT was paying for expenses out of a secret, unauthorized checking account. Further, the complainant alleged that there were improprieties associated with contracts between the University of California, San Francisco (UCSF) and the Fire Department of the City and County of San Francisco (fire department).

The Reporting of Improper Governmental Activities Act The act is contained in Section 8547 et seq. of the California Government Code. It defines an improper governmental activity as an activity by a state employee or agency, including the University of California (university), that is performed during official duties; that violates state or federal law or regulation; that is economically wasteful; or that involves gross misconduct, incompetence, or inefficiency. Activities that violate state or federal law or regulation include malfeasance, theft of government property, fraudulent claims, conversion or misuse of government property, and willful omission to perform duty.

The University of California The university is a constitutionally established public trust, and the Board of Regents has almost exclusive power to operate, control, and administer it. The university is comprised of nine campuses throughout the State, including the UCSF.

The Center for Prehospital Research and Training The CPRT was founded in 1987 at the UCSF as an activity within the UCSF's School of Medicine. The purposes of the CPRT are to evaluate current and proposed methods of prehospital medicine, to encourage citizen participation in both emergency awareness and cardiopulmonary resuscitation (CPR) skills, and to educate emergency medical services personnel.

To meet its goals, the CPRT conducts various programs. For example, the CPRT contracted with the State's Employment Training Panel (ETP) to train paramedics. Under the terms of the contracts with the ETP, the individuals who were to receive training were to have been ambulance company employees who were likely to be displaced and to become eligible for unemployment insurance benefits. Also, the CPRT

contracted with the fire department to provide defibrillation training to fire fighters. (Defibrillation is the restoration of a twitching heart rhythm to a normal rhythm.)

Also, the CPRT provided CPR training to the public at several events. For example, the CPRT provided CPR training at its "Save-a-Life-Saturday" and "Save-a-Life-Sunday" events in conjunction with other organizations, including the San Francisco Giants, the San Francisco Zoo, radio and television stations, the American Heart Association, and the American Red Cross. According to the CPRT's promotional material, the CPRT provided CPR training to thousands of people at these events. In addition, the CPRT provided training through its "CPR in Our Schools" program.

The Foundation for Medicine

The Foundation for Medicine (foundation), a nonprofit corporation organized in 1981, solicits funds to support the research, teaching, and patient care missions of the Department of Medicine, a unit of the School of Medicine at the UCSF.

Although the foundation collected and disbursed funds on behalf of the CPRT, it is not legally affiliated with the UCSF and is not an officially recognized support group. However, the UCSF and the foundation are interrelated. For example, an executive in the UCSF's Department of Medicine is also a member of the foundation's board of directors. The foundation's financial official is also an employee of the Department of Medicine. As of December 31, 1992, the foundation had assets of approximately \$3.705 million, according to its filing with the Internal Revenue Service (IRS).

Scope and Methodology

The scope of our investigation was limited to identifying instances of improper governmental activities by the CPRT, the Department of Medicine, or their employees. However, during the course of our investigation, we identified weaknesses in the UCSF's system of internal controls that enabled the improper governmental activities to occur. We also reviewed improper activities of the foundation to the extent they were related to the CPRT. To determine whether UCSF employees acted properly, we reviewed various state laws and university policies and procedures.

For our investigation, we examined the documentation of certain accounting transactions at the foundation and the CPRT, including donation receipts and disbursements for the CPRT's activities. Also, we reviewed the foundation's and the CPRT's fund-raising records.

In addition, we examined the available records for the CPRT's account at Wells Fargo Bank, including receipts and disbursements. If available, we examined the supporting documentation for the receipts and disbursements. Also, to the extent they were available, we reviewed the records of the CPRT's petty cash fund.

Further, we reviewed the contracts and related documentation for the CPRT's contracts with the ETP and the fire department. We also examined payroll records of selected UCSF employees at the UCSF and at the City and County of San Francisco.

Finally, for our investigation, we interviewed numerous individuals, including current and former employees of the UCSF. Also, we interviewed officials at the City and County of San Francisco, the Registry of Charitable Trusts at the Attorney General's Office, the State Department of Justice, the ETP, and the IRS. We also interviewed the foundation's auditor.

**Referrals to
Appropriate
Agencies**

After we determined that certain UCSF employees and the foundation had engaged in improper and illegal governmental activities, we notified officials of the UCSF, the Registry of Charitable Trusts, the State Department of Justice, the IRS, the Franchise Tax Board, the San Francisco District Attorney's Office, the San Francisco City Attorney's Office, and the fire department. We notified these offices so that they may take appropriate actions under their legal authority.

Chapter 1

A CPRT Administrator Had Conflicts of Interest and Misspent University Resources

Chapter Summary

A Center for Prehospital Research and Training (CPRT) administrator had conflicts of interest related to the contracts between the University of California, San Francisco (UCSF), and the Fire Department of the City and County of San Francisco (fire department). Specifically, this individual had financial interests in the contracts because she was an employee of both the UCSF and the fire department. Also, the administrator had financial interests in the fire department contracts because the contracts provided the administrator with research data. The research data was key to the administrator's research grant applications. Moreover, the employee was also involved in the development, negotiations, and execution of the contracts on behalf of both employers.

These conflicts of interest resulted in the use of UCSF resources for the benefit of the fire department. For example, the CPRT administrator misspent UCSF resources by providing free paramedic training to 12 employees of the fire department. The CPRT provided the free training without proper UCSF authorization. According to the UCSF contracts with the State, the value of this paramedic training was at least \$49,000.

Prohibitions Against Conflicts of Interest

Conflict-of-interest laws are grounded on the notion that government officials owe paramount loyalty to the public interest. Also, the personal and financial considerations on the part of government officials should not be allowed to enter the decision-making process.

The California Government Code, Section 1090, states that state and county officers or employees shall not be financially interested in any contract made by them in their official capacity. The law applies to virtually all state and local officers and employees.

This section of the code is based on the fact that no person can, at one time, faithfully serve two employers representing diverse or inconsistent interests. The code section ensures absolute loyalty and undivided allegiance to the best interests of the government entity the person serves and removes all direct and indirect influences on interested

officers. It also discourages deliberate dishonesty. This section exists to strike not only at actual impropriety, but also at appearances of impropriety. The fact that a contract is fair and untainted by fraud is irrelevant.

In addition to specific statutory prohibitions, common law doctrines against conflicts of interest exist. Common law is a body of law made by court decisions of the California Supreme Court and the California Appellate Courts. Both the courts and the attorney general have found conflicts of interest by public officials to violate both common law and statutory prohibitions. For example, common law doctrine states that a public officer is bound to exercise the powers conferred on the officer with disinterested skill, zeal, and diligence and primarily for the benefit of the public. Further, another judicial interpretation of common law doctrine is that public officers are obligated to discharge their responsibilities with integrity and fidelity. According to the attorney general, where no conflict is found in statutory prohibitions, special situations could still constitute a conflict under the long-standing common law doctrine.

Although dual employment is not prohibited, the Regents Standing Order No. 103.1(b) states that portions of time due the University of California (university) must not be devoted to private purposes and that outside employment must not interfere with the performance of university duties. Further, the university's Business and Finance Bulletin No. G-29 defines the misuse of university resources as the use of resources for nonuniversity purposes. Some examples cited in the bulletin include conflict-of-interest situations that may result in university losses or impaired university operations and fraud, and the use of university facilities or property for nonuniversity business.

University and Fire Department Contracts

The fire department contracted with the UCSF from July 1989 through June 1993. Under the contracts, the UCSF provided recertification classes and quality assurance analysis for the fire department's defibrillation program. Also, the UCSF provided medical training for fire department personnel under contracts for fiscal years 1989-90 through 1992-93. The total amount of these contracts was \$488,343.

The UCSF provided services to the fire department during fiscal year 1993-94 without a contract. The fire department has notified the UCSF that it will not enter into a contract for fiscal year 1994-95. Table 1 shows the contract amounts for each contract period, except for fiscal year 1993-94.

**Table 1 Contracts Between the University and Fire Department
Fiscal Years 1989-90 through 1992-93**

Fiscal Year	Contract Amount
1989-90	\$ 64,043
1990-91	134,800
1991-92	134,800
1992-93	154,700
Total	\$488,343

**CPRT
Administrator
Employed by
Both Contracting
Parties**

The CPRT administrator was an employee of both the fire department and the UCSF. At the UCSF, she worked as the CPRT administrator during all of the contract periods. Her UCSF compensation was \$8,918 per month at the end of fiscal year 1993-94. The fire department was aware that the EMS official was employed by UCSF.

At the same time, the CPRT administrator worked for the fire department as an emergency medical services (EMS) official. She started working for the fire department in July 1988. In fiscal year 1993-94, the EMS official earned approximately \$5,340 per month for 27 hours per week. As the EMS official for the fire department, the individual had ultimate responsibility for quality assurance in the defibrillation program. Also, the EMS official supervised the fire department's continuous medical education programs and quality assurance program. At least some UCSF officials knew that the CPRT administrator was also employed by the fire department.

**CPRT
Administrator's
Conflicting
Interests**

Although California Government Code, Section 1090, does not define when an official is financially interested in a contract, the courts have applied the prohibition to include a broad range of interests. We believe the CPRT administrator had conflicting financial interests in the contracts because the employee worked for both contracting parties and received compensation from both employers during the contract periods.

In addition, the contracts between the UCSF and the fire department provided a major source of support for the CPRT administrator's financial future. For example, in a letter to the UCSF chancellor, dated March 16, 1994, the School of Medicine executive stated that the loss

of the fire department contract would be particularly devastating to the CPRT administrator because data collected from the fire department contract was key to her research grant applications.

In addition, as an employee of both the UCSF and the fire department, the employee was involved in the development, negotiations, and execution of the contracts between the two entities. For example, the CPRT administrator was the principal investigator on the fire department contracts. The university's Contract and Grant Manual states that the principal investigator is the individual with primary responsibility for the scientific integrity and management of the project; the financial management of project funds; adherence to all internal university policies; and adherence to externally imposed sponsor limits and conditions, including reporting and record-keeping requirements.

Although the CPRT administrator did not sign the contracts on behalf of the UCSF, she signed numerous documents regarding contract development and negotiations with the fire department on behalf of the UCSF. These documents included the Contracts and Grants Approval forms, which contain a copy of the detailed budget page from the proposed contract and other summary information. The CPRT administrator also certified that if the proposed contracts were funded, she would accept responsibility for the design, execution, and management of the contract on behalf of the UCSF. The employee also signed other UCSF documents that showed she approved the contracts. On these forms, the UCSF's Division of Contracts and Grants requested that she review and approve the contracts. Moreover, the employee was involved with the accounting and billings for the contracts on behalf of the UCSF.

As an employee of the fire department, the EMS official also participated in the development, negotiations, and execution of the contracts on behalf of the fire department. On September 10, 1991, the employee appeared before the San Francisco Fire Commission to discuss the \$134,800 proposed contract with the UCSF. After lengthy discussion, the commission approved the contract.

Also, the individual was involved in budget development for the contracts on behalf of the fire department. For example, in a December 9, 1991, letter to the fire chief, the employee discussed budgetary costs that could be incorporated into the UCSF contract for training. Further, according to the contracts, the employee was the fire department's liaison with the UCSF for three of the four contracts. In addition, the employee submitted reports to the fire chief on the administration of the contracts.

Further, we found evidence that the CPRT administrator claimed and demonstrated allegiance to the fire department. In a May 1993 letter to the fire department, the CPRT administrator, acting as an EMS official, stated: "You have known me for eight years. During that entire time I have worked diligently on behalf of the fire department. I have clearly demonstrated where my interests and loyalty lie." Moreover, on the September 1993 performance appraisal report, the fire department stated that the employee, on behalf of the fire department, ensured that the UCSF/CPRT upheld and met all requirements of the contract. Clearly, the CPRT administrator was serving two diverse employers. Although both the UCSF and the fire department are public entities, one was paying the other for services. As a result, the two employers had conflicting interests, as did the CPRT administrator.

**CPRT
Administrator
Misspent
University
Resources**

The CPRT administrator's conflicts of interest also resulted in the misspending of state funds. Although the UCSF often provides free training to the community, it is clear that the UCSF intended that the fire department pay for training that the CPRT provided to fire department employees. Specifically, the UCSF entered into four contracts with the fire department that spelled out the financial payment that the UCSF expected to receive for training.

The CPRT administrator misspent university resources by providing free paramedic training to 12 employees from the fire department. The 12 fire department employees attended the paramedic training sponsored by the State's Employment Training Panel (ETP). Five of the 12 fire department employees did not complete the entire course. Although we do not know the amount of university resources used, the fire department benefited from the free paramedic training at the expense of the university. According to the UCSF contracts with the ETP, the value of paramedic training was at least \$7,000 per student. In total, the fire department received at least \$49,000 in benefits via the 7 fire fighters who completed the paramedic training.

In a letter to the fire chief, the CPRT administrator, acting in her official EMS capacity, stated that she had obtained funds from another source to train paramedics in the fire department "free of tuition." Also, a fire department official stated that the CPRT administrator offered to provide tuition-free paramedic training to up to five fire department personnel per each paramedic training class. This official also stated that the CPRT administrator said the fire department would not have to pay for the paramedic training because she would incorporate fire department personnel into the ETP training. Based on this information,

the fire department issued two general orders to its personnel stating that the UCSF was offering the fire department a tuition-free paramedic training program. These general orders also stated that the paramedic program was funded by the State ETP.

However, it is extremely unlikely that the UCSF would be eligible to obtain payment from the ETP for training fire department employees. Specifically, the purpose of the ETP training funds was to train ambulance company employees who were likely to lose their jobs and become eligible for unemployment insurance benefits.

Although a Department of Medicine executive stated he was not responsible for choosing which students were to be trained in the paramedic program, we believe that he was responsible. On at least three different occasions, he wrote that the Department of Medicine would provide the administrative support for the operations of the ETP contract for paramedic training. Also, according to the university's Contract and Grant Manual, the department executive is responsible for the performance of the CPRT administrator, who acted as the principal investigator of the ETP contracts for paramedic training. Specifically, the manual states that a basic responsibility of the department includes determining the appropriateness and acceptability of faculty time, space, equipment, and university financial commitment. The manual also states that the department must ensure that project performance is consistent with university policies and with externally imposed sponsor terms and conditions. Finally, the department must identify appropriate funding sources to cover project costs not covered by the project sponsor's funds or by other funds available to the principal investigator.

According to the executive of the Department of Medicine, neither the CPRT administrator nor other CPRT personnel discussed providing free paramedic training to fire department employees with him. Further, the executive stated that he never authorized the CPRT administrator or any other CPRT employee to provide free paramedic training to the fire department at the UCSF's expense. Finally, the executive added that he was unaware of any paramedic training except that provided under the UCSF's contracts with the ETP.

Also, an official of the UCSF's Division of Emergency Services stated that he did not authorize the providing of free training to the fire department employees. Although he supervised the CPRT operations during the first contract and a portion of the second contract with the ETP, he said that neither the CPRT administrator nor any CPRT staff member discussed with him providing free paramedic training. Further, he stated that he never authorized the CPRT to provide free paramedic

training for fire department employees. In June 1992, this official resigned his supervision responsibility over the CPRT.

As stated earlier in this chapter, the misuse of university resources occurs when university resources are used for nonuniversity purposes. In violation of this policy, the CPRT administrator used CPRT staff and equipment to perform her fire department duties. For example, we found that a CPRT clerical employee prepared some monthly reports to the fire department on behalf of the CPRT administrator. These monthly reports were part of the CPRT administrator's duties as an employee of the fire department.

**CPRT
Administrator
Advocated Fire
Department's
Interests Over the
University's**

In addition to mispending UCSF resources for the fire department's benefit, the CPRT administrator further advocated the fire department's interests over those of the UCSF. Specifically, in January 1993, the CPRT administrator signed a memorandum to UCSF officials requesting a reduction of the UCSF indirect cost rate from 26 percent to 15 percent for the 1992-93 fire department contract.¹ This represents a loss of approximately \$11,000 in revenue to cover UCSF costs based on the \$146,000 contract. In the memorandum, the CPRT administrator stated that the contract for \$146,000 for training (which specified a 15 percent indirect cost rate) could not be changed because the amount was included in the 1992-93 budget for the City and County of San Francisco. However, the CPRT administrator provided incorrect information to the UCSF officials. Although the CPRT administrator stated that the contract amount could not be changed, the contract amount was later changed to \$154,700, an increase of \$8,700, by transferring funds from another contract. This change occurred before the contract was approved by the City and County of San Francisco in March 1993.

¹ Indirect cost rates are added to the cost of a contract to pay for the overhead costs of the university.

Chapter 2

Illegal and Improper Acts Related to Payroll

Chapter Summary

An administrator from the Center for Prehospital Research and Training (CPRT) and other employees from the CPRT and University of California, San Francisco (UCSF), employees, conspired to submit falsified payroll documents to pay at least 47 employees at a rate higher than the University of California (university) approved. As a result of these falsifications, the UCSF paid the employees at least \$72,579 more than they were entitled to receive between January 1991 and March 1994. Although high-ranking officials within the UCSF were aware of these payroll irregularities, they did not take action to ensure that the improper and illegal activities ceased at the CPRT.

Also, two CPRT employees certified to the City and County of San Francisco (city) that one of the employees worked at the CPRT fewer than 20 hours per week. In contrast, documents submitted to the UCSF payroll system certified that the employee worked at the CPRT substantially more than 20 hours per week. Either the certifications to the city, the certifications to the UCSF, or both are false.

Finally, the UCSF improperly billed the city \$23,600 for hours not worked on its contracts.

Conspiracy To Falsify Payroll Documents

As discussed in the Introduction of this report, the UCSF contracted with the State's Employment Training Panel (ETP) to provide paramedic training. According to the original plan, a community college would provide space and hire instructors for this training, and the CPRT would be responsible for the curriculum and contract oversight. However, a new chancellor at the community college terminated the college's participation before the contract was executed, and the UCSF subsequently decided to provide the training through the CPRT under contract with the ETP.

According to an executive of the Department of Medicine, transferring the training program to the CPRT created problems for the UCSF. Specifically, the salary ranges for the classification into which the CPRT could legitimately hire the instructors, given their limited academic qualifications, were too low to accommodate the higher hourly rates at which the instructors had been recruited. As with other state entities, the university has position classifications for its employees. Each

classification requires certain qualifications and has an established salary range approved by the university. After employees are officially hired, their pay range remains in effect until a change is officially approved. Although an administrative analyst for the Department of Medicine told us that the CPRT administrator had promised to pay the instructors at the higher rates, the CPRT administrator had no authority to make such a promise. Only the university's president has the authority to change a salary range for nonacademic employees, and only the university's Board of Regents has the authority to change a salary range for academic employees.

CPRT Administrator's Demands

The Department of Medicine's administrative analyst stated that, because of an "unofficial policy" to accommodate the CPRT administrator, she consulted an academic affairs official at the School of Medicine who, in turn, consulted with a UCSF academic affairs official regarding what should be done. The three individuals agreed that, given the prospective employees' qualifications, the most appropriate job classification was clinical specialist. However, the salary range for that classification was too low to pay the rates that the CPRT administrator wanted to pay.

The administrative analyst told us that, when she explained to the CPRT administrator that the rates she wanted to pay the instructors were in excess of the pay ranges of the appropriate UCSF classifications, the CPRT administrator "became very vociferous in defending her right to pay the individuals the higher rate."

Payroll Documents Falsified

The California Penal Code, Section 72, states that every person who, with intent to defraud, presents any false or fraudulent claim for payment is punishable either by imprisonment, fine, or both. In addition, Section 424 of the Penal Code states that any person charged with the receipt, safekeeping, transfer, or disbursement of public moneys who knowingly keeps any false account, or makes any false entry or erasure in any account relating to public moneys, is punishable by imprisonment in the state prison for two, three, or four years, and can no longer hold any office in the State.

However, because of the "unofficial policy" that urged the Department of Medicine to accommodate the CPRT administrator, the administrative analyst developed a formula that improperly allowed the CPRT to pay the instructors at the higher, unapproved rate of pay. This

formula calculated the number of hours that would have to be falsely reported as being worked in lieu of the number of hours that were actually worked. For example, in March 1993, the CPRT added 2 hours to the 20 hours one employee actually worked to pay the employee \$22 per hour instead of the \$20 per hour the employee was entitled to receive.

In addition, staff at the Department of Medicine and the CPRT developed procedures for CPRT employees to follow in falsifying payroll records.² Under these procedures, some of the CPRT staff members prepared two time sheets for the same period. Specifically, employees routinely recorded the actual hours worked on orange time sheets. Then, using the formula developed by the Department of Medicine, a CPRT clerical employee, another CPRT employee, or the employees themselves calculated the number of hours that had to be reported to payroll to give the employees the higher, unapproved rate of pay. The CPRT clerical employee had also developed a number of computer spreadsheets that calculated the number of hours that would have to be falsely added to employees' time sheets to pay them more than they were entitled to receive. The CPRT then recorded the adjusted number of hours on a white time sheet and submitted the falsified white time sheet to the Department of Medicine for payroll processing. We reviewed files maintained on CPRT computers and found numerous memoranda instructing employees on how they should record and adjust the number of hours reported.

By falsifying time sheets, the CPRT paid all 7 instructors who were originally hired for the 1991-92 ETP contract more than they were entitled to receive. For example, one instructor hired for the 1991-92 ETP contract prepared at least 28 orange time sheets for a total of 1,352.5 actual hours worked during January 1991 through August 1993. However, based on falsified time sheets, the UCSF paid the individual for 1,900.5 hours—548 hours more than he actually worked. Because of the falsification of the individual's time sheets, the UCSF paid him \$11,515 more than he was entitled to receive for January 1991 through August 1993. In addition, this individual may have prepared one more orange time sheet during the period. Specifically, we noted that he was paid for 14.7 hours in April 1993. However, we could find

² After we completed our field work, it was alleged that other units within the Department of Medicine and other departments in the School of Medicine were already falsifying payroll records to pay employees more than they were entitled to receive. The UCSF Audit and Management Services Department is reviewing these alleged payroll irregularities of the Department of Medicine and School of Medicine.

no orange time sheet for the employee for that month. As a result, we could not determine whether he worked those hours.

Another instructor hired for the 1991-92 ETP contract prepared 20 orange time sheets for a total of more than 715 hours worked from January 1991 through October 1992. However, based on falsified time sheets, the UCSF paid her for more than 1,138 hours. As a result, the instructor received \$8,907 more than she was entitled to receive.

Falsification of Time Sheets for Additional Employees

The executive for the Department of Medicine told us that the department had agreed to adjust the pay rates only for the original 7 instructors hired for the first ETP program. No other employees were to receive higher than the officially approved rates. However, we found that the CPRT falsified time sheets for instructors who were hired after the first ETP contract and other noninstructor employees. Specifically, although the CPRT initially hired only 7 instructors for the 1991-92 ETP contract, at least 40 additional employees received overpayments based on falsified time sheets at some point between January 1991 and March 1994.

For example, we found that the CPRT falsified time sheets for at least 8 employees who were instructors on the contract with the Fire Department of the City and County of San Francisco (fire department). In 7 cases, the CPRT used formulas similar to those developed for the original instructors. In the other case, a combination of methods were used. For example, we found a memorandum dated January 7, 1992, from a CPRT clerical employee to this instructor, asking, "Are you putting down 5 for 4 hours? If so, I need to know when you started, for our records. If not, we'll have to get you started." We noted that the instructor reported 5 hours for every 4 hours worked in the following 3 months. For another 6 months, the instructor reported more than 5 hours for every 4 hours worked. According to available documents, the instructor worked a total of 546.5 hours during 10 months from February 1992 through March 1993. However, because of the falsification of time sheets, the instructor was paid for 734.88 hours—188.38 hours more than she worked. As a result, the UCSF paid the individual \$3,817.75 more than she was entitled to receive.

This instructor also may have prepared additional orange time sheets during the period. Specifically, the employee received pay for 250 hours presumably worked during June, July, and August 1992. However, we could find no orange time sheets for the employee

covering these months. Because we could not locate orange time sheets, we cannot be certain of how many hours she actually worked. Nevertheless, it seems unlikely that the CPRT would have stopped inflating the employee's hours for those 3 months.

In addition, the CPRT falsified time sheets to pay noninstructors more than they were entitled to receive. For example, in February 1992, a CPRT clerical employee wrote to the Department of Medicine saying that she and two other noninstructors would need to receive a minimum of a 15 percent pay increase because of a new ETP contract expected to begin in April 1992. The department responded that the increase was not appropriate. Nevertheless, the CPRT subsequently added overtime hours to these individuals' time sheets to give them a higher rate of pay. The CPRT also added overtime hours to time sheets of another noninstructor to pay her more than she was entitled to receive.

Summary of Falsifications

UCSF employees submitted falsified time sheets for payroll processing for at least 47 employees between January 1991 and March 1994. As a result of these falsifications, the UCSF paid these employees at least \$72,579 more than they were entitled to receive.³

Table 2 lists for each of the 47 employees, the number of hours actually worked, the number of hours falsely claimed to the UCSF, the amount of overpayments made, and indicates whether the employees were instructors for the 1991-92 ETP contracts. The table also shows the number of months for which we were able to locate documentation of falsification. We were unable to locate orange time sheets for every employee for every month reviewed. Consequently, employees may have received additional overpayments that we were unable to identify. Also, we did not calculate the additional costs for employee benefits that the UCSF incurred as a result of the falsifications. For example, we did not determine how much the UCSF unnecessarily contributed to Social Security or retirement plans for the 47 employees as a result of falsifications.

³ The CPRT reduced the number of hours reported as having been worked to pay one other employee less than he was entitled to receive.

Table 2 Summary of Identified Overpayments

Employee	Number of Months	Hours Worked	Hours Claimed	Amount Overpaid	Instructor for 1991-92 ETP Contract
Number 1	28	1,352.50	1,900.51	\$11,515.19	✓
Number 2	12	1,200.13	1,582.13	9,909.49	✓
Number 3	20	715.43	1,138.87	8,906.55	
Number 4 (regular and overtime hours)	12	2,070.98	2,632.90	8,282.60	
Number 5	12	387.62	669.78	5,907.39	✓
Number 6	10	546.50	734.88	3,817.75	
Number 7	7	284.00	393.01	2,540.83	✓
Number 8 (overtime hours only)	12	26.00	154.50	2,476.94	
Number 9	10	472.80	564.08	2,138.44	✓
Number 10	6	113.88	201.72	2,111.31	✓
Number 11	11	1,773.30	1,911.00	1,899.42	
Number 12	2	200.00	289.80	1,891.19	✓
Number 13	12	346.00	424.64	1,594.00	
Number 14	6	112.00	182.95	1,489.24	✓
Number 15 (regular and overtime hours)	10	1,817.36	1,893.17	1,372.46	
Number 16 (overtime hours only)	5	2.50	78.05	1,135.36	
Number 17	7	120.50	149.70	584.00	
Number 18	2	176.00	193.98	532.37	✓
Number 19	5	61.50	82.33	396.82	
Number 20	7	132.00	149.78	362.71	
Number 21	1	26.50	38.40	280.13	
Number 22	2	25.60	37.10	278.21	
Number 23	6	103.50	116.40	259.40	
Number 24	3	36.00	48.40	248.64	
Number 25	6	89.50	101.37	227.89	
Number 26	4	124.00	133.72	198.29	
Number 27	4	55.00	63.07	192.77	✓
Number 28	7	100.75	109.83	174.36	
Number 29	3	37.00	45.35	167.00	
Number 30	6	76.00	83.61	155.24	
Number 31	1	6.50	13.50	140.00	
Number 32	2	12.50	18.40	138.89	
Number 33	6	82.00	88.43	131.17	
Number 34	4	62.50	68.59	124.24	
Number 35	5	57.00	63.00	120.00	
Number 36	5	55.00	60.73	116.09	
Number 37	1	10.84	15.70	114.40	
Number 38	5	66.50	71.71	106.28	
Number 39	3	52.00	57.51	104.69	
Number 40	5	49.00	53.90	99.22	
Number 41	1	5.00	9.20	95.93	
Number 42	6	46.00	49.61	73.64	
Number 43	2	20.50	23.24	67.41	
Number 44	1	9.00	11.15	50.61	
Number 45	2	10.50	11.55	21.00	
Number 46	1	13.00	14.31	19.97	
Number 47	1	3.50	4.00	10.20	
Totals		13,146.19	16,739.56	\$72,579.73	

CPRT Ignored Direction To Stop Payroll Abuse

On March 15, 1993, responsibility for administrative oversight of the CPRT was assigned to a nursing administrator from the UCSF Medical Center. According to this administrator, she learned from discussions with the CPRT administrator and other CPRT staff members that the CPRT payroll did not comply with university policies and procedures. She informed the CPRT administrator to bring CPRT payroll into compliance with university requirements. In addition, she wrote to CPRT staff members on June 2, 1993, telling them that CPRT payroll must conform to university requirements and that they would be paid only the officially approved pay rates. However, the medical center nursing administrator did not follow up to ensure that her instructions were followed by the CPRT. In addition, although she stated that she informed officials from the School of Medicine, the Department of Medicine, and the UCSF legal office of the payroll irregularities, she did not inform the UCSF Audit and Management Services Department.

In spite of her instructions and several high-level officials being aware of the payroll irregularities, we found evidence that, at least until August 1993, the CPRT continued to adjust payroll records to give five individuals a rate higher than that authorized. We further found that the CPRT paid at least one of these individuals more than he was entitled to receive as late as March 1994.

Employees Knew Time Sheets Were Falsified

As stated earlier, CPRT employees prepared orange time sheets to show the hours they actually worked. Then CPRT staff members prepared white time sheets that were falsified to pay the employee for more hours than they actually worked. Both the UCSF Policy and Procedure Manual, Section 578, and the Department of Medicine require employees to sign their own time sheets to certify that the time shown is correct. Many of the employees signed both the orange time sheets and the falsified white time sheets. However, in at least 64 cases, the employees did not sign their time sheets. Instead, a CPRT clerical employee or another CPRT employee signed an employee's name but in no way indicated they were signing on that person's behalf. Nevertheless, even if employees did not sign their time sheets, we are convinced that they knew they were receiving more pay than they were entitled.

When the UCSF hires individuals, the new employees sign a document stating they are accepting the job with the official UCSF pay rate, which is shown on the document. In addition, the UCSF provides all

employees with payroll stubs for each pay period that they received compensation from the university. The UCSF payroll stub provides information on how much an employee worked in each pay period. For an hourly employee, the payroll stub lists the number of hours worked and the rate of pay per hour. For employees who receive a monthly salary, the payroll stub lists the percent time worked and monthly pay rate. Moreover, as stated earlier, we found numerous memoranda instructing employees on how they should record and adjust the number of hours reported on their time sheets.

Other Improprieties and Inefficiencies

The UCSF Policy and Procedure Manual, Section 578, and the Department of Medicine require supervisors to sign time sheets. This requirement is made to ensure that the time reported is accurate. Circumvention of such basic controls over payroll can lead to errors, irregularities, and illegal acts.

We noted that the CPRT administrator signed at least some of the time sheets as the employees' supervisor. However, it appears that the CPRT clerical employee sometimes signed the CPRT administrator's name, thereby falsely approving the time sheets for payment. We were unable to determine how many time sheets the CPRT administrator actually signed and how many were signed by the CPRT clerical employee or other individuals.

Further, we noted instances in which a representative of the fire department signed UCSF employees' time sheets to approve them. However, in 46 instances, CPRT staff members altered the documents after they were signed. CPRT staff members added hours to the time sheets and changed the total number of hours reported.

Adjusting Time Sheets Was Wasteful

The manipulation of time sheets took significant amounts of time and resulted in many errors at both the CPRT and the Department of Medicine. Specifically, in many instances, the Department of Medicine returned time sheets to the CPRT for correction of errors. For example, the CPRT submitted a time sheet for one individual for February 1991 showing that 4.9 hours should be paid. However, the CPRT did not record on which day or days the employee worked the 4.9 hours. The Department of Medicine sent the time sheet back to the CPRT, asking the CPRT to specify the day when the hours were worked. The CPRT sent the time sheet back showing that the 4.9 hours were worked on February 29, 1991. The Department of Medicine again returned the time sheet to the CPRT, stating that there was no February 29 in 1991.

The CPRT finally submitted a time sheet showing that the time was worked on February 25, 1991.

On another occasion, in November 1993, a staff member of the Department of Medicine wrote to the CPRT complaining that she and another department employee had spent two hours in one day trying to reconcile errors on a CPRT employee's September time sheet.

Further, on some occasions, the CPRT submitted more than one time sheet for employees for the same pay period. As a result, on at least two of these occasions, employees were paid twice for the same hours. In other instances, because of conflicting information recorded on numerous time sheets, we were unable to determine whether employees had been paid correctly.

Other False Certifications

Two CPRT employees certified to the City and County of San Francisco (city) that one of the employees worked fewer than 20 hours per week for the CPRT. In contrast, documents submitted to the UCSF's payroll system certified that the employee worked significantly more than 20 hours per week for the CPRT. Although it is clear that the certifications to the city, the certifications to the UCSF, or both are false, we were unable to determine with certainty which were false.

CPRT Employee Worked for Two Employers

One CPRT employee worked full time for the city as a parking control officer and, later, as a senior parking control officer. These positions were initially with the San Francisco Police Department (police department) and, later, because of reorganization, with the San Francisco Department of Parking and Traffic (department of parking and traffic). The employee worked for the city from April 1978 to May 1992.

The employee also worked for the CPRT as a clerical employee. The employee began working for the CPRT in August 1989 under the supervision of the CPRT administrator. The UCSF does not prohibit dual employment.

City's Prohibition of Secondary Employment

Under the city's police department rules for secondary employment, employees cannot engage in any other business or calling without prior written permission from the police chief. Further, requests for secondary employment must be disapproved when the secondary

employment is for more than 20 hours in any week or, when combined with police duty, is for more than 12 hours in a 24-hour period.

Under the city's Civil Service Commission (commission) rules for the department of parking and traffic, no person holding a full-time position can engage in any noncity employment without the approval of the commission. Similar to the police department rules, the commission rules state that secondary employment will not be approved if such employment requires more than 20 hours per week or more than 3 hours in any day.

Submission of False Statements

The California Government Code, Section 6203, states that all officers authorized by law to make or give certificates or other writings are guilty of a misdemeanor if they make and deliver as true any certificate or writing containing statements that they know to be false.

On two different occasions, the CPRT administrator and clerical employee submitted certifications to the city departments. Specifically, on January 17, 1990, the CPRT administrator and the CPRT clerical employee submitted a certification to the police department stating that the employee worked for 3 to 4 hours per day or 20 hours per week at the CPRT. This equates to approximately 87 hours per month. However, the employee's UCSF time records showed that the employee worked substantially more hours for the CPRT than shown on the certification to the city. According to time sheets at the UCSF, the employee worked for the CPRT 152 hours in August 1989, 81 hours in September 1989, 137 hours in October 1989, 159 hours in November 1989, 155 hours in December 1989, and 138.5 hours in January 1990. We were unable to confirm that, as the employee's supervisor, the CPRT administrator signed the time sheets for this period. However, as stated earlier, supervisors are required to sign their employees' time sheets.

In addition, the two employees submitted a statement to the department of parking and traffic in May 1991 claiming that the CPRT clerical employee worked 3 hours per day for 5 days per week at the CPRT. These hours total approximately 65 hours per month. However, the employee's time records at the UCSF showed that the employee claimed to have worked at the CPRT 170 hours in January 1991, 160 hours in February 1991, 151 hours in March 1991, 172 hours in April 1991, and 161 hours in May 1991. Both the CPRT clerical employee's and administrator's names appear on the UCSF time sheets for these months. Clearly, the certifications to the city, the time sheets submitted

to the UCSF, or both were false. However, we were unable to determine with certainty which were false.

Improper Billings to the Fire Department

The UCSF charged the fire department \$23,600 for hours that were not worked on its contracts. Although employees were entitled to be paid for leave taken, the fire department was not obligated to pay these charges. As described in Chapter 1, the CPRT provided recertification classes and quality assurance analysis for the fire department's defibrillation program. Also, the UCSF provided medical training for fire department personnel. The contracts specified that the fire department would pay the UCSF for services performed and established hourly rates to be paid based on each UCSF employee's job classification. The contracts did not authorize the UCSF to charge the fire department for leave.

Contrary to the terms of the contracts, the UCSF overcharged the fire department \$23,600 for hours not spent on fire department activities. Specifically, the UCSF overcharged the fire department for holiday, vacation, sick leave, and noncontract hours for four employees. On the UCSF invoices to the fire department, the UCSF did not specify that the noncontract-related hours were included. As a result, the fire department assumed that the CPRT employees were working more hours on the fire department's behalf than were worked.

For example, the UCSF paid one employee a monthly salary. Regardless of the number of hours the employee actually worked on the fire department contract, the UCSF charged all of his salary, including leave, to the fire department. Between January 1991 and May 1994, the employee received pay for 288 holiday hours, 390 vacation hours, 403 sick leave hours, and 2 hours of jury duty, for a total of 1,083 nonwork hours charged to the fire department. In addition, the UCSF charged the fire department over 480 nonwork hours paid to another employee between December 1990 and January 1994.

Chapter 3

Secret, Unauthorized Bank Account Used for Improper and Imprudent Expenditures

Chapter Summary

Contrary to University of California (university) policy, the Center for Prehospital Research and Training (CPRT) opened a secret, unauthorized bank account in January 1991. This bank account was not a university account and was outside of university controls. Bank records show the CPRT deposited \$62,126 into this bank account. Student fees represented 72 percent of all deposits made to the account. The CPRT told students that the fees were for specific uses, such as certificated courses and books. However, the CPRT spent very little of the student fees for these purposes. In fact, records of disbursements made from the bank account showed that the CPRT spent most of the funds deposited in the account improperly and imprudently. For example, contrary to University of California, San Francisco (UCSF) policy, the CPRT improperly used the bank account to pay salary advances to both UCSF employees and nonemployees. In addition, the CPRT improperly used the bank account to pay \$2,580 to relatives of two CPRT employees. Moreover, the CPRT had almost no internal controls over the bank account to help safeguard university resources; to promote their effective and efficient use; and to prevent errors, irregularities, or illegal acts related to the account.

Secret, Unauthorized Bank Account

Under the Regents Bylaw No. 21.4(m), the university treasurer is the representative of the university in all matters relating to bank accounts. Further, the bylaw states that the treasurer must select the banks in which university funds are deposited and from which funds are disbursed. Also, the Accounting Manual for the university states the same rule. However, contrary to the bylaw and manual, both of which have existed for many years, a CPRT administrator instructed a CPRT clerical employee to open a bank account at Wells Fargo Bank.

The CPRT opened the bank account on January 3, 1991. The CPRT administrator told us that the CPRT needed the bank account because the employees at the Department of Medicine complained that the volume of the CPRT's disbursements was generating too much work for them and for the Foundation for Medicine (foundation).⁴ The CPRT submitted an application to open the bank account to the Department of

⁴ As described in Chapter 5 of this report, the CPRT improperly used the foundation to manage CPRT funds.

Medicine and the foundation for their approval. However, we found no documentation that showed that the Department of Medicine or the foundation approved the application to open the bank account or authorized the opening of the bank account. Further, officials of the Department of Medicine and the foundation denied authorizing the establishment of any outside bank account for any purpose. Although the CPRT submitted copies of checks written against the account to the foundation for reimbursement, according to a financial official of the department and foundation, she did not know of the existence of the bank account until fall 1992. In addition, although the CPRT administrator claimed the account was an extension of the foundation, the foundation's financial official stated that the bank account has never been reflected in the accounting records for the foundation, including its financial statements and tax returns. Finally, the foundation's financial official at the foundation stated that she never received any accounting or other records related to the bank account.

In addition, the bank account was not opened in the name of the university. Instead, the account was opened in the name of two CPRT employees. According to CPRT officials, these two employees had signatory authority on the bank account. Wells Fargo Bank was unable to produce its records of who was authorized to sign on the account, but we know that only the two employees signed the checks written against the account.

The CPRT administrator stated that the CPRT established the bank account for several purposes. These included being able to respond quickly to good deals and to handle daily needs of the CPRT. In addition, she stated the account was used to provide tokens of appreciation, such as fruit and cheese baskets, to volunteers who donated their time and knowledge to the CPRT students. Also, she stated that the CPRT used the account to pay for items that the CPRT's contract with the State's Employment Training Panel (ETP) did not fund, such as food for students, the graduation party and ceremonies, and student and family orientation. Finally, the CPRT administrator stated that she wanted the CPRT to be "a caring educational environment to its students." The bank account was officially known as the Human Resource Activity Fund. However, the employees at the CPRT called the bank account "the slush fund."

Incomplete and Missing Records

During our review of the bank account, we found that the CPRT had incomplete and missing documentation related to the account. For example, we were unable to find documentation, such as receipts, invoices, or statements for 61 percent of the value of the checks written from the account, representing \$27,061. Nevertheless, we attempted to

reconstruct the transactions from the bank account using available documentation.

Deposits Into the Bank Account

Bank records show that the CPRT deposited \$62,126 into the bank account from the opening date of January 3, 1991, to the closing date of June 8, 1993. Student fees totaling \$44,720 were the largest source of deposits into the account, representing 72 percent of total deposits. The second largest source of deposits was \$11,359 from repayment of staff advances. Other sources of deposits included employees' checks written in exchange for cash from the account and miscellaneous other sources. Table 3 shows the sources and amounts of deposits to the account.

**Table 3 Sources of Deposits for the CPRT Bank Account
January 3, 1991, Through June 8, 1993**

Source of Deposits	Amount
Student fees	\$44,720
Repayment of staff advances	11,359
Miscellaneous	6,047
Total	\$62,126

False Statements to Students

When the CPRT staff collected the student fees, the students were told that the fees were for the Milberry Union (student union), certificated courses, or books. However, the CPRT spent very little of the students' fees for these purposes. Instead, the CPRT used the funds for other purposes discussed later in this chapter and in the next chapter on petty cash funds.

The following is an example of how the CPRT did not spend the student fees for its stated purpose. The CPRT offered the students enrolled in the first paramedic class the use of the gym facilities at the student union. The cost for using the gym facilities was \$105 for each student who chose to participate. Sixteen students paid the fees, totaling \$1,680, which were deposited into the secret, unauthorized bank account. These fees were supposedly for the student union. However, the CPRT did not use any of the deposit to pay the student union. Instead, the CPRT improperly used \$2,860 of UCSF funds to pay for the use of the student union. The CPRT purchased 22 memberships,

6 more than the students purchased. We attempted to determine who received the 6 additional memberships from the UCSF. However, we were not successful.

Disbursements From the Bank Account

The CPRT spent much of the funds deposited in the secret, unauthorized bank account improperly and imprudently.⁵ Improper expenditures included salary advances, political contributions, payments to relatives, and automatic teller machine (ATM) withdrawals. We also discuss the imprudent expenditures from the bank account that include gifts, flowers, food, graduation parties, and exercise equipment. Table 4 summarizes the disbursements from the bank account, excluding \$11,817 in ATM cash withdrawals.

**Table 4 Expenditures From the CPRT Bank Account
January 3, 1991, Through June 8, 1993**

Expenditure Category	Amount^a
Salary advances	\$14,210
Food and entertainment	7,668
Graduation parties	4,575
Administrative expenses	4,482
Furniture and equipment	3,630
Gifts	2,631
Exercise equipment	2,533
Bank charges and deposit reversals	2,084
Travel	1,936
Flowers	1,019
Conferences	838
Miscellaneous	586
Total	\$46,192

^a For uses of cash withdrawn from the account, see Chapter 4.

⁵ We discuss the improper and imprudent expenditures from the CPRT petty cash fund in Chapter 4. We discuss the imprudent and improper expenditures of the CPRT from the foundation in Chapter 5.

Improper Salary Advances

The CPRT improperly used the secret, unauthorized bank account to pay salary advances to both university employees and nonemployees. Any salary advances made outside the approved payroll system and approved policies of UCSF are not appropriate. Also, the Policy and Procedure Manual for the UCSF, Section 445, states that payroll advances are limited to bona fide emergencies and should be requested through the department payroll clerk. Further, the manual states that employees will be granted no more than one advance during any calendar year. Such policies are established to ensure that salary advances are not abused and made only under appropriate circumstances and that advances will be repaid.

However, in 1991 and 1992, the CPRT improperly issued 20 salary advances totaling \$14,770 from the secret, unauthorized bank account and the petty cash fund to 10 individuals.⁶ According to available documents, 8 individuals had repaid all of their advances and 1 had repaid a portion of the amount advanced. In total, the nine individuals repaid \$13,120 to the CPRT or the UCSF for their salary advances. Table 5 presents the amount of salary advances and the amount repaid for each of the 10 individuals.

Table 5 Salary Advances From the CPRT Bank Account

Individual	Advance Amount ^a	Amount Repaid	Balance as of August 31, 1994
Number 1	\$ 1,953	\$ 1,953	\$ 0
Number 2	1,890	1,890	0
Number 3	2,000	2,000	0
Number 4	1,100	1,100	0
Number 5	967	967	0
Number 6	1,250	600	650
Number 7	1,000	0	1,000
Number 8	1,160	1,160	0
Number 9	750	750	0
Number 10	2,700	2,700	0
Totals	\$14,770	\$13,120	\$1,650

^a In several instances, we found conflicting evidence on whether the amount paid to individuals was a salary advance or compensation. However, based on available documentation, we have classified the payments as salary advances.

⁶ Although this chapter deals with the secret, unauthorized bank account, a nominal number of advances were made from the petty cash fund. Rather than separate this small amount out, we discuss advances made from both sources here.

There is some question about whether the balance of \$1,000 for individual number 7 is owed to the CPRT. The two employees responsible for the CPRT's salary advances stated that the \$1,000 advance was really not a salary advance but payment for services the individual provided to the CPRT.

In addition, another employee stated that the \$1,953 payment to her was classified as a salary advance, but that it represented compensation for the time she worked at the CPRT before the UCSF officially hired her. The employee told us that to replenish the secret, unauthorized bank account, the CPRT falsified her time card to indicate she worked hours in excess of the number of hours she had actually worked. She was then supposed to pay the excess amount she received from the UCSF to the account.

In addition to violating UCSF policies, the CPRT did not institute adequate controls to ensure that salary advances were being made only under appropriate circumstances and that the individuals receiving the advances would repay them. For example, there was no requirement that individuals receiving the advances actually be employees of the UCSF. Five of the ten individuals who received improper salary advances were not UCSF employees when the CPRT paid them a salary advance. In addition, only four of the five employees later became employees. One individual was never an employee of the UCSF. By issuing salary advances to nonemployees, the CPRT had no security or collateral, such as employees' earnings, to ensure repayment.

Further, the two employees responsible for the CPRT's salary advances stated that it was normally expected that the salary advances would be repaid when the employees received their next UCSF check. However, it took individual number 9 over two years to completely repay her advance. Moreover, individual number 3 took more than a year and two months to completely repay her advances.

The CPRT could not produce promissory notes or other loan documents signed by all of the individuals to document that they received the advances and that they would repay them. Although the two CPRT employees responsible for the salary advances stated that the CPRT had obtained notes from the individuals, they said that the notes appeared to have been stolen.

Without establishing appropriate policies and procedures for salary advances, any organization is assuming an unnecessary risk of not being repaid. We believe that it is unlikely the CPRT will be able to recover

some of the funds it advanced to individuals. Neither of the two individuals who apparently have not repaid their salary advances is still employed by the UCSF.

In addition to exposing itself to the unnecessary risk that advances would not be repaid, the CPRT appears to have permitted other abuses of salary advances. For example, two of the individuals who received salary advances were the two individuals who were responsible for the CPRT salary advance program and who had signatory authority over the account. There was no documentation that an independent third party had approved any of the advances made to these two individuals. Without independent review and approval of salary advances, there is significant opportunity for abuse.

Furthermore, it appears that at least some advances were made for reasons other than bona fide emergencies. For example, one of the two employees who was in charge of the salary advances received four salary advances from the CPRT bank account and petty cash fund because of a hardship allegedly caused by delays in payments to him from the Fire Department of the City and County of San Francisco (fire department). In addition to this individual's employment by the UCSF, he had a series of personal, non-UCSF contracts with the fire department. The CPRT paid the advances in February, March, April, and August 1994. However, we found that for the \$1,500 in advances paid in March and April, no such hardship existed. In fact, the employee received payments on his fire department contract in both of those months. Moreover, although the expense record provided the above justification for the four advances, one check and the check stub for \$400 had the notation "fun" as the purpose of the check. We believe these salary advances constituted interest-free loans to the individual and were not legitimate salary advances for a bona fide emergency. Again, we could find no evidence that an independent third party reviewed and approved the advances.

Improper Political Contribution

The California Government Code, Section 85300, prohibits using any public moneys for the purpose of any individual seeking elective public office. In addition, university policy prohibits the use of university funds for political purposes, including the election of candidates to public office. Nevertheless, the CPRT paid \$50 to the political campaign of a candidate for a community college board from the secret, unauthorized bank account. According to accounting records, the CPRT paid the political donation because the candidate donated time to the CPRT.

Improper Payments to Employee's Relatives

The CPRT improperly used the bank account to pay \$2,580 to relatives of two CPRT employees. For example, the CPRT improperly paid \$430 to the CPRT administrator's sister for data entry and bookkeeping on three occasions. The CPRT also paid \$650 to a musical group to play at the graduation party for paramedic students. The CPRT administrator's sister is a member of the musical group.

Also, the CPRT improperly paid \$1,500 to the spouse of another CPRT employee for catering services for one graduation party for paramedic students.

Business and Finance Bulletin No. 43 states that it is the policy of the university to separate an employee's university and private interests and to safeguard the university and its employees against charges of favoritism in acquisition of goods and services. Further, the bulletin states that no purchase, lease of goods, or contract for services can be made from any employee or near relative unless there has been a specific determination that the goods or services are not available either from commercial sources or from the university's own facilities. Near relatives include a spouse and sister of a university employee.

We found no records showing that the CPRT made a specific determination in any of the above cases that the goods and services were not available from commercial sources or from the university's own facilities. Moreover, we found that the CPRT paid substantially less for music at other paramedic graduation parties than the CPRT paid to the group to which the sister belonged. Specifically, the CPRT paid \$250 for music at other graduation parties, a payment substantially less than the \$650 paid to the group to which the CPRT administrator's relatives belonged.

Imprudent Expenditures

As an activity of the UCSF, the CPRT is a public trust, with a responsibility to spend its funds prudently and in the best interests of the CPRT's goals. However, a review of the expenditures from the secret, unauthorized bank account showed that the CPRT spent many of these funds imprudently. Specifically, the CPRT spent nearly \$7,700 for food for its staff, students, and others. For example, the CPRT paid \$911 for pizzas for students and staff, \$2,412 to a delicatessen and catering company, \$118 to a bakery, and \$69 for birthday-related items for CPRT staff members. Also, in October 1991, the CPRT paid \$540 for an espresso machine for its office. However, as of August 11, 1994, the

CPRT could not produce the espresso machine. According to a CPRT clerical employee, the espresso machine had been discarded earlier because it was no longer working. We fail to see how any of these expenditures are either congruent with or in the best interests of a program designed to promote health care.

In addition, the CPRT spent more than \$2,600 to purchase gifts and more than \$1,000 for flowers for its staff and others. For example, the CPRT paid \$276 for sweatshirts given to UCSF officials who had signed waivers that reduced indirect cost rates on CPRT contracts.⁷ We believe that making personal gifts to individuals who have waived potential income to the university, at the very least, creates an appearance of impropriety. The CPRT also paid \$294 for fine chocolates; \$156 for cheese; and \$560 for various food items, including wine and coffee for gift baskets. In addition, the CPRT paid nearly \$490 for plants for the grand opening of its facility. Further, the CPRT paid \$22 for flowers for the San Mateo Office of the State ETP in appreciation for assisting the CPRT in completing the paramedic contract. Although these expenditures may have generated goodwill, we believe they exceed what is normally considered prudent for a public trust.

Finally, the CPRT paid \$2,533 for exercise equipment for its offices. Although this expenditure appears to be congruent with the goals of a health care organization, we believe that it would be more appropriate to have spent the funds on items or activities that benefited more than just CPRT staff.

**Failure To Close
Account
Promptly**

The CPRT administrator did not promptly close the secret, unauthorized bank account after being instructed to do so. After high-ranking university officials became aware of the existence of the bank account, concern was expressed over the fact that the bank account was opened in violation of university guidelines and that the CPRT was operating without adequate university oversight. To remedy the situation, these high-ranking officials instructed the CPRT administrator that the "account must be closed." An executive of the Department of Medicine wrote the letter, dated January 19, 1993, to the CPRT administrator. Although the CPRT stopped using the account, the CPRT did not close the bank account until June 8, 1993, nearly four and one-half months after being instructed to do so. The CPRT transferred the remaining funds of \$4,116 to a university account on June 8, 1993.

⁷ Indirect cost rates are added to the cost of the contracts to pay for the overhead at the UCSF.

However, when the CPRT transferred the funds to the UCSF, it attempted to conceal the fact that the funds were coming from a secret, unauthorized bank account. Specifically, the CPRT closed the account by obtaining cash and then submitting a series of cash deposits. The CPRT falsely claimed that the sources of these cash deposits were student fees from the fifth paramedic class. In fact, the fifth class fees were deposited into the secret, unauthorized bank account in October 1992. Moreover, the CPRT claimed that one of the cash transfers to the UCSF of \$1,000 was from fees of \$1,000 from a fifth class student. However, the individual was a former employee, not a student. Further, although the former employee had written a check for \$1,000 to the CPRT in October 1992, the check was to repay a "salary advance," it was not for class fees. In reality, the \$4,116 transferred to the UCSF in June 1993 was simply the unspent balance of all money deposited into the secret, unauthorized account.

**Lack of Controls
To Prevent
Errors,
Irregularities, or
Illegal Acts**

The CPRT had almost no internal controls over the bank account. The university established policies and procedures that incorporate internal controls to help safeguard its resources and promote their effective and efficient use. Internal controls are designed to prevent errors, irregularities, or illegal acts. General internal control principles include ones that ensure duties are separated so that one person's work routinely serves as a check on another person's work. The separation of duties ensures that no one person has complete control over more than one key function, such as authorizing, approving, certifying, disbursing, receiving, or reconciling. Another principle is that proposed transactions are authorized to ensure they are proper and consistent with university policy. A third principle is that responsibility for physical security and custody of university assets is separated from recording and accounting for those assets.

The CPRT has consistently violated these internal control principles. By opening the bank account, the CPRT circumvented all UCSF controls over the account. Further, the CPRT had no separation of duties for the bank account because one employee controlled several key functions over the account, including authorizing, approving, disbursing, and reconciling. Another employee also controlled several key functions, including authorizing, approving, and disbursing. Further, the CPRT did not separate the security and custody of the account from the recording and accounting for it. As a result, the CPRT authorized transactions that were improper and inconsistent with university policy, including the transactions discussed earlier in this chapter.

Lack of Controls Over Cash Withdrawals

Good internal controls prohibit the use of an ATM for business accounts because there is inadequate documentation of who makes withdrawals and for what purpose. Moreover, an ATM card should not be used to obtain cash for a petty cash fund because checks should be issued to the custodian for cash. However, the CPRT lacked controls over its ATM card and secret code for the unauthorized bank account. Specifically, over 18 months, the CPRT staff used ATMs to withdraw \$11,817 in cash from the account. Also, according to the employee responsible for the bank account, the CPRT used the ATM card to obtain cash for the petty cash fund.⁸ She stated that 6 to 8 CPRT employees had access to the ATM card and secret code. In fact, the CPRT kept the ATM card in a CPRT official's office, hidden behind a calendar. Because the CPRT did not maintain the card in a more secure location, anyone who had access to the secret code and who had access to the CPRT offices had access to the card and potentially to the funds in the account.

Alleged Unauthorized ATM Withdrawals

The CPRT administrator and a clerical employee claimed that a former employee made several unauthorized cash withdrawals totaling \$1,400 from April 6 to April 20, 1992.⁹ According to a CPRT clerical employee who was also the employee responsible for the account, the former employee was authorized to use the ATM card and secret code. The former employee denied making any cash withdrawals using the ATM card and denied having access to the card or the secret code. The former employee also stated that the CPRT clerical employee controlled the ATM card and secret code and that she kept the ATM card in her purse. However, because the CPRT lacked controls over the ATM card and failed to report the alleged loss promptly, we were unable to determine who made the cash withdrawals during the period or whether the ATM withdrawals were actually theft or simply cash withdrawals made for some undocumented purpose.

The UCSF Administrative Policy Guide No. 350-13 states that employees who are custodians of university assets must immediately report to audit services any suspected loss. Further, the policy guide and Business and Finance Bulletin No. G-29 require that all suspected fraud or other financial irregularities be reported to the internal audit

⁸ In Chapter 4, we discuss the petty cash fund.

⁹ The amount of the alleged theft is unclear. The police report stated that \$1,400 was reported missing. However, from April 6 through April 20, 1992, the bank statements showed ATM withdrawals of \$2,200.

office and the director of risk management. If it appears that a crime has been committed, either the campus counsel or the general counsel and the campus police must be consulted. However, the CPRT did not report the theft to any of the above individuals or to the UCSF police department until February 1994—16 months after the CPRT said it became aware of the alleged theft.

We could not determine when the CPRT first discovered the alleged theft of the funds. The CPRT clerical employee who was responsible for the account told us that there was little activity in the bank account and that she maintained the running balance for it. Further, she stated that she reviewed the bank statements to ensure that all deposits and checks appeared on the statements. However, the CPRT clerical employee also stated that she never received the April 1992 bank statement that showed the unauthorized ATM withdrawals. Both the CPRT clerical employee and the CPRT official told UCSF police that they did not discover the alleged theft until October 1992. We believe that if the employee had been diligently monitoring the account and reconciling the bank account monthly to CPRT records, the alleged unauthorized cash withdrawals would have been discovered much sooner.

We also could not determine why it took the CPRT so long to report the alleged theft. According to a UCSF police report, the CPRT clerical employee and the CPRT official stated that they did not report the alleged theft in October 1992 because they believed that because so much time had elapsed, the police could be of no help. In addition, the CPRT official told UCSF police that the CPRT had reported the alleged theft to the Department of Medicine but that whoever the CPRT reported it to had told the CPRT not to proceed. However, we were told by the UCSF police officer that it is highly unusual and indicative of poor judgment that a theft of a large amount of cash, such as occurred at the CPRT, was not promptly reported to the university police department. Further, the police officer stated that it is unusual that such a large theft of funds was not discovered by the CPRT officials until several months after the incident.

The police officer added that the police investigation was severely handicapped by the failure of the CPRT officials to promptly report the theft. The delay left the police unable to collect important evidence. For example, the bank security office stated that the photographs of individuals making withdrawals from the ATMs were destroyed 90 days after the ATM transactions occurred. Without the photographs, it would be extremely difficult to determine who withdrew the cash.

Further, the older the evidence trail, the more difficult it is to solve the case.

Chapter 4

Unauthorized and Improper Petty Cash Fund

Chapter Summary

After the Center for Prehospital Research and Training (CPRT) opened the secret, unauthorized bank account in January 1991, the CPRT established an unauthorized petty cash fund. When the CPRT provided cash for the fund, the CPRT did not use checks payable to the custodian as required by University of California (university) policy. Instead, the CPRT used cash withdrawals of \$11,817 from the bank account and \$58 partial repayment of a salary advance as the sources of cash for the fund. In addition, petty cash expenditures were not always supported by receipts as required by university policy. Specifically, only \$4,725 (40 percent) of the \$11,875 for petty cash expenditures was supported by receipts. Another \$3,578 in expenditures could be explained but could not be supported by receipts. The remaining \$3,572 is either missing or not documented.

Requirements for Petty Cash Fund

According to the university's Accounting Manual, Section C-173-61, a petty cash fund may be established when there is a demonstrable need to keep cash on hand. This cash should be used only for official university business to purchase low-value supplies and services that cannot be purchased through established procedures. Further, a custodian of the fund must be directly responsible for the safekeeping and disbursement of cash. The original check to establish the fund and the replenishment checks must be made payable to the custodian. Obtaining cash from an automatic teller machine (ATM) is not allowed. In addition, each petty cash expenditure must be supported by a receipt that shows the date of purchase or payment, name of vendor or other payee, positive evidence that a payment was made, the amount paid, a description of the goods purchased or of the services provided, and a signature indicating receipt of materials or services. Receipts plus cash on hand must at all times equal the established amount of the petty cash fund. When the fund is not in use, the fund's currency must be placed in a safe or a locked receptacle and kept in a properly secured area.

Unauthorized and Improper Petty Cash Fund

After the CPRT opened the secret, unauthorized bank account in January 1991, the CPRT established a petty cash fund. However, the CPRT did not demonstrate a need for a petty cash fund to the University of California, San Francisco (UCSF), and did not obtain a

check from the UCSF to establish such a fund. Instead, according to the custodian responsible for the petty cash fund, the CPRT used the bank account's ATM card to provide cash to the petty cash fund. Bank records showed that ATM withdrawals totaled \$11,817 from the opening date of January 3, 1991, to the closing date of June 8, 1993. The amount of cash withdrawals ranged from \$20 to \$300. From January 1991 to December 1992, the monthly average withdrawal was \$657.

Missing or Undocumented Funds

The custodian stated that, when staff members took cash from the petty cash fund, they were required to place a receipt or invoice into the cash box for the cash taken. However, petty cash expenditures were not generally supported by receipts as required by university policy. We found that only \$4,725 of expenditures was supported by receipts. This figure represents only 40 percent of the \$11,875 available. Another \$3,578, or 30 percent, could be explained but could not be supported by receipts. The remaining \$3,572, or 30 percent, is either missing or not documented.

Of the missing or undocumented \$3,572, a portion of the funds may be part of the alleged unauthorized ATM withdrawals by a former employee. As we discussed in Chapter 3, the CPRT alleged that a former employee stole \$1,400 or \$2,200.¹⁰ The former employee denied he made any unauthorized cash withdrawals. However, if the theft did occur, the CPRT would still have missing or unaccounted petty cash of \$2,172 or \$1,372. The amount would depend on which figure for the alleged theft is used.

The custodian also stated that because the CPRT was "a trusting environment," staff members had access to the cash box. This employee maintained the petty cash box, a Tupperware container, in her desk drawer. Because the CPRT allowed staff members access to the petty cash fund and because the cash was kept in a Tupperware container, cash or records may have been stolen by staff members or others who had access to the CPRT office. In fact, the custodian claimed that receipts from the petty cash fund disappeared after the alleged unauthorized ATM withdrawals. If the CPRT had observed the university requirements for controlling the petty cash fund, it is unlikely

¹⁰ As stated in the previous chapter, the amount of the alleged theft is unclear. The police report stated that \$1,400 was reported missing. However, from April 6, 1992, to April 20, 1992, the bank statements showed ATM withdrawals of \$2,200.

these irregularities and alleged illegal acts would have occurred. Table 6 summarizes how the CPRT used its petty cash fund.

**Table 6 Petty Cash Fund Expenditures
January 3, 1991, Through October 28, 1992^a**

Expenditure Category	Amount
Food and entertainment	\$ 4,600
Gifts	1,231
Flowers	84
Furniture and equipment	187
Salary advances	560
Administrative	1,238
Miscellaneous	402
Missing cash	3,573
Total	\$11,875

^a We discuss the imprudent and improper expenditures for the CPRT from the foundation in Chapter 5. In Chapter 3, we discuss the improper and imprudent expenditures from the CPRT bank account.

Improper and Imprudent Expenditures

Similar to expenditures from the unauthorized bank account, the CPRT spent its petty cash funds improperly. For example, the CPRT improperly used its petty cash to purchase high-value items even though the university policy requires that petty cash funds be used for low-value supplies and services. Because the university does not define "high value," we used the definition in the State Administrative Manual, which limits cash purchases to no more than \$50 (exclusive of sales tax) per transaction. The CPRT improperly used its fund to make 47 purchases of high-value supplies and services, for a total of \$4,500.

In addition, the CPRT falsified petty cash records for a \$200 payment to a CPRT employee. The records showed the payment was for work performed. In reality, according to the recipient, it was a baby gift to the employee.

The CPRT also used some of its petty cash funds for imprudent expenditures. For example, the CPRT used more than \$750 for food and other reimbursements for its staff. These refreshments often

consisted of pizza and beer. In addition, the CPRT spent approximately \$130 for birthday gifts and other birthday favors for its staff. We believe that, as a public trust, the CPRT should not spend public funds in such a manner.

Chapter 5

Illegal, Improper, and Imprudent Acts at the Foundation for Medicine

Chapter Summary

The Center for Prehospital Research and Training (CPRT) improperly deposited its funds into an account at the Foundation for Medicine (foundation). In addition, the foundation illegally commingled restricted gifts totaling \$186,412 with other restricted funds and with general and unrestricted funds. As a result, neither the CPRT nor the donors have any assurance that the funds were spent in accordance with the donors' instructions. Finally, the CPRT spent some of its funds deposited in the foundation imprudently.

Improper Deposits

Because the CPRT is an activity of the University of California, San Francisco (UCSF), funds raised to support CPRT activities are the property of the University of California (university) and should be deposited into a university account. These funds include donations and registration fees collected by the CPRT. However, instead of depositing such funds into a university account, the CPRT improperly deposited them into the foundation account.

The State's Employment Training Panel (ETP) contracted with the UCSF to provide training to paramedic students. Six paramedic students who began training under the ETP program were ultimately not covered by the ETP contract. Specifically, according to CPRT officials, the ETP denied funding for five of the students. Although those students were ineligible for ETP funding, they wanted to continue their training. To accommodate the students who wanted to complete their training, the CPRT charged the students nominal fees totaling \$11,500. These fees ranged from \$1,000 for the student who withdrew from the training to \$2,500 for one student who attended the second class. The fees charged to these students were significantly less than the fees that UCSF charged the State ETP for the same training. Because the CPRT is part of the UCSF, the funds belonged to the UCSF and should have been deposited into a UCSF account. However, the CPRT improperly deposited the funds into a foundation account.

Moreover, the CPRT falsified the deposit records to show that the student tuition fees were donations and contributions. For example, on

February 11, 1991, the CPRT administrator signed a letter to the foundation stating a check for \$2,000 "is to be deposited as a general contribution to CPRT." In fact, the \$2,000 was the fees for a student. In another example, the CPRT administrator on January 17, 1992, falsely stated to the foundation that student fees of \$1,000 from a paramedic student were "donations and contributions."

**Legal
Requirements for
Trusts**

The CPRT accepted restricted gifts from donors. The acceptance of a gift with restrictions establishes a trust relationship between the trustor (donor) and the trustee (recipient). In addition, the California Probate Code applies restrictions to the use of donated funds, whether or not the donors restrict their donations. The Probate Code, Section 16000, states that on acceptance of the trust, the trustee has a duty to administer the trust according to the trust instrument and according to the law. This means that the trustee has a duty to carry out the terms of the trust according to the expressed intent of the trustor. Also, Section 16002 states that the trustee has a duty to administer the trust solely in the interest of the beneficiaries. In addition, Section 16004 states that the trustee has a duty not to use or deal with trust property for the trustee's own profit or for any other purpose not connected with the trust, and not to take part in any transaction in which the trustee has an interest adverse to the beneficiary. Further, Section 16009 states that the trustee has a duty to keep trust property separate from other property not subject to the trust and to see that the trust property is designated properly. Finally, Section 16400 states that a violation by the trustee of any duty the trustee owes a beneficiary is a breach of trust.

**Illegal
Commingling of
Restricted
Donations**

According to CPRT records, the CPRT accepted restricted gifts totaling \$186,412 for four programs that it operates. The CPRT deposited these restricted and other unrestricted gifts into an account of the foundation, a non-UCSF related, not-for-profit corporation. According to documents provided by the CPRT, restricted gifts represented more than 71 percent of all gifts that the CPRT received and then deposited with the foundation. Table 7 shows the restricted gifts by program that, according to the CPRT, it accepted from January 1, 1991, through December 31, 1993.

**Table 7 Restricted Gifts the CPRT Accepted From Donors
January 1, 1991, Through December 31, 1993**

Program	1991	1992	1993	Total
CPR in Our Schools	\$54,550	\$14,250	\$26,120	\$94,920
Emergency Preparedness	5,025	37,637	4,713	47,375
Save-a-Life Saturday and Save-a-Life Sunday	16,550	14,007	13,560	44,117
Totals	\$76,125	\$65,894	\$44,393	\$186,412

Source: CPRT.

A CPRT clerical employee stated that the foundation records constitute the official financial records for the restricted gifts. The foundation recorded all donations and contributions from the CPRT into one account, including general and unrestricted donations and contributions.

According to the foundation's financial official, the foundation does not have multiple accounts for restricted donations and contributions for the CPRT. The CPRT never asked the foundation to establish separate accounts for restricted funds from donors. Also, the financial official added that the foundation was unaware that it needed restricted accounts because the CPRT never informed the foundation that it had received restricted funds from donors. Further, the financial official stated that the CPRT never provided the foundation with any documents from the donors, except the checks. Examples of the documents that the CPRT did not provide to the foundation included the written agreements between the CPRT and the donors on how the funds must be spent, accounting requirements, and reports required to be sent to the donors. The CPRT's clerical employee stated that the checks deposited in the foundation's account were accompanied by a form that specified the intended purpose of the funds. However, the forms did not specify that the deposits were restricted. As a result, the restricted gifts were illegally commingled with general and unrestricted funds in violation of Section 16009 of the California Probate Code.

In addition, at the CPRT's request, the foundation transferred approximately \$100,000 from the CPRT's foundation account to the university. At least some of these funds had to have come from restricted funds. However, when the foundation transferred the funds to the university, the foundation did not know and did not specify that the

funds were from restricted gifts. Consequently, neither the CPRT nor the donors can have any assurance that the donated funds were spent in accordance with the restrictions placed on the gifts.

Imprudent CPRT Expenditures

Table 8 shows the amounts that the CPRT spent from the foundation account for each category from 1991 through 1993 and the percentage for each category. Again, the primary source of funds for these expenditures was donations.

**Table 8 Expenditures Made on Behalf of the CPRT
by the Foundation for Medicine
Calendar Years 1991 Through 1993**

Expenditure Category	Amount	Percent
Personnel and consultants	\$ 70,242	21
Travel	41,099	12
Entertainment	21,347	6
Fund-raising	13,096	4
Registration fees and memberships	10,804	3
Books, publications, and subscriptions	12,544	4
Facility and equipment rental	15,442	5
Printing and photocopying	20,470	6
Audio visual services	14,172	4
Miscellaneous	7,323	2
Office supplies	16,549	5
Educational grants	44,439	13
Donations and contributions	52,420	15
Totals	\$339,947	100

Source: Foundation for Medicine.

As an activity of the UCSF, the CPRT is a public trust with a responsibility to spend its funds prudently and in the best interests of the CPRT's goals. The CPRT used the foundation to make numerous imprudent entertainment expenditures, including food for the CPRT staff, paramedic students, and others.¹¹ For example, on one occasion,

¹¹ We discuss other imprudent expenditures by the CPRT elsewhere in this report. Chapter 3 discusses the expenditures from Wells Fargo Bank, and Chapter 4 discusses the expenditures from the CPRT petty cash fund.

the foundation paid \$156 for pizzas for paramedic students at the CPRT's direction. Other examples include \$60 for lunches for paramedic instructors, \$225 for continental breakfasts for student orientation, \$21 for a birthday cake for a CPRT employee, \$102 for Chinese food for paramedic students, \$531 for an affiliate faculty dinner, and \$7 for hot dogs and nachos at a baseball game.

Other imprudent expenditures were for gifts to individuals. In our sample, we found that the foundation, under direction from the CPRT, paid nearly \$1,590 for gifts. For example, the foundation paid \$158 for coffee mugs and patches for its affiliate faculty and board of directors, \$35 for a baby gift, \$82 for gifts to CPRT staff, and \$206 for engraved clocks for five affiliate faculty.

Further, the CPRT used the foundation account imprudently to pay more than \$1,300 for flowers for numerous individuals, including the CPRT administrator and other CPRT staff, and flowers for the CPRT office. For example, on one occasion, the foundation paid \$27 for roses for the CPRT administrator.

Finally, the foundation imprudently paid nearly \$1,200 for catering services for a graduation party for the students. Although all of these expenditures probably generated goodwill, we believe that the funds would have been spent more appropriately on items or activities that were more directly related to the health care mission of the CPRT.

Chapter 6

Illegal and Improper Fund-Raising Activities

Chapter Summary

When soliciting donations, the Center for Prehospital Research and Training (CPRT) made false and misleading statements to donors concerning its legal status. In addition, the CPRT and the Foundation for Medicine (foundation) received donors' checks for the University of California, San Francisco (UCSF), totaling approximately \$118,000, and improperly deposited them into the CPRT's account at the foundation. Also, the foundation illegally and improperly used UCSF resources for its fund-raising activities. Further, the foundation and the CPRT imprudently contracted with a commercial fund-raiser to solicit funds although the fund-raiser was not legally registered with the Attorney General's Office.

Misrepresentations to Donors

When soliciting donations, the CPRT made false and misleading statements to potential and actual donors. The CPRT stated that it is recognized as a nonprofit organization under Section 501(c)(3) of the federal Internal Revenue Code. Also, the CPRT stated in correspondence and pamphlets to donors, that the CPRT is a nonprofit organization within the foundation. Both of these statements are false.

Although the University of California (university) is classified as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, the Internal Revenue Service (IRS) told us that the CPRT is not a discrete Section 501(c)(3) organization. Section 501(c)(3) organizations include corporations, community chests, funds, or foundations operated for religious, charitable, scientific, testing for public safety, literary, or educational purposes.

Further, the CPRT mailed a copy of a letter allegedly from the IRS to donors. The letter, which appears to be from the IRS, is addressed to the CPRT and implies that the CPRT is a discrete, nonprofit organization under Section 501(c)(3). However, the letter appears to be falsified because the left margin of the CPRT's address is not aligned with the rest of the letter. In addition, the type size of the CPRT's address is different from that of the rest of the letter. We attempted to determine whether the letter was, in fact, from the IRS by sending a copy to the IRS. The IRS could find no record of having sent the letter and stated, "This office cannot vouch for the authenticity of the letter submitted."

Moreover, the CPRT is not part of the foundation; it is part of the UCSF. According to the former UCSF campus attorney, the status of the CPRT at the UCSF is as an "activity" within the Department of Medicine of the School of Medicine. Also, the former UCSF attorney stated that the CPRT has functioned in this manner since 1987. To the attorney's knowledge, the CPRT has never been a separate entity, such as a Section 501(c)(3), nonprofit, tax-exempt foundation. Nevertheless, with the full knowledge of the UCSF's administration, the CPRT has represented itself as being part of the foundation.

**Improper
Deposits to the
Foundation's
Account**

At the foundation, we reviewed a sample of donors' checks for amounts of \$250 and more that were donated to support CPRT activities. After reviewing these donors' checks at the foundation, we found that 32 checks totaling approximately \$118,000 were improperly deposited into a foundation account. It was improper to deposit these checks in a foundation account because they were made payable to the university, the UCSF, or the CPRT. According to the former UCSF counsel, funds raised for the purpose of supporting CPRT activities are considered the property of the university and should have been deposited into a UCSF account. The \$118,000 represented approximately 45 percent of all CPRT donations deposited to the foundation account during the three years ending December 31, 1993.

Moreover, either the CPRT or the foundation altered the name of the payee on some of the checks. Since 1993, the CPRT or the foundation has improperly altered six checks by adding "Foundation for Medicine" to them. For example, on a donation check made payable to the CPRT for \$10,000 from a foundation, the words "Foundation for Medicine" were added to the check and the check was deposited into the foundation bank account. The \$10,000 clearly should have been deposited into a UCSF account because it was originally made payable to the CPRT. All together, the six altered checks, originally made payable to the university, the UCSF, or the CPRT, totaled more than \$44,000.

**Improper and
Illegal Use of the
University's
Name and
Resources**

As stated before, the CPRT misrepresented itself to donors as being part of the foundation. In addition, the CPRT also implied the foundation was a recognized support group of the UCSF. This misrepresentation placed the foundation in the position of violating state law and university policies. Specifically, Section 92000 of the California Education Code, states that no person can use the university's name or any abbreviation of its name without the permission of the Board of Regents to imply, indicate, or otherwise suggest that any such

organization is connected or affiliated with, or is endorsed, favored, or supported by the university. In addition, in November 1990, the regents stated that without recognition as an official university support group, no group may represent itself as raising funds or otherwise providing support on behalf or for the benefit of the university. Also, the regents stated that nonrecognized support groups cannot use the name of the university or any of its campuses, facilities, or programs, either expressly or by implication in connection with such fund-raising activities. Finally, the regents stated that no such group can use university facilities, equipment, or personnel in connection with such fund-raising activities. The foundation is not an officially recognized support group of the university.

Improper Use of the University's Name

Nevertheless, with the full knowledge of the UCSF's administration, the CPRT improperly referenced the UCSF as affiliated with the foundation in fund-raising documents. For example, in a letter to a potential donor, the CPRT stated, "We are a 501(c)(3) nonprofit organization working under the Foundation for Medicine in affiliation with the University of California, San Francisco." Similar statements were included in a number of documents, including flyers, pamphlets, and other correspondence to potential donors regarding the following:

- Save-a-Life-Sunday at the San Francisco Zoo.
- Save-a-Life-Saturday with the San Francisco Giants at Candlestick Park.
- CPR in Our Schools.
- Emergency Preparedness.
- The CPR Road Show.
- 1-800-Give CPR Program.
- General support for the CPRT.

Also, under the CPRT administrator's direction, the CPRT improperly referenced the UCSF as affiliated with the foundation when it solicited donations from numerous foundations, corporations, and individuals. For example, the CPRT made such an affiliation when it solicited donations from four foundations. In the solicitations, the CPRT stated that it was affiliated with the foundation at the UCSF. One of these

donors wrote a \$10,000 check payable to the foundation. Another donor wrote a \$5,000 check payable to the foundation and the CPRT.

Although we found no evidence that the foundation directly benefited financially from the CPRT's misrepresentations, the foundation would clearly benefit from the prestige of the UCSF. Moreover, it seems very likely the foundation was well aware of the unauthorized and improper affiliations being made between the UCSF's name and the foundation because it deposited donations to the CPRT, the university, and the UCSF into its account.

Improper Use of University Resources

The foundation improperly used Department of Medicine staff, equipment, and facilities for accounting and fund-raising activities connected to the CPRT and the foundation. Specifically, an executive of the Department of Medicine is also a member of the foundation's board of directors. This individual performed this role on UCSF time using UCSF resources. In addition, personnel from the Department of Medicine prepared the foundation's accounting records for the CPRT and performed other fund-raising activities on UCSF time. For example, an employee for the department acts as a financial official for the foundation on UCSF time. Also, a department analyst processed the foundation's accounting transactions, such as depositing donations and preparing foundation checks for disbursements, on UCSF time.

UCSF Officials Knew of Violations of Regents' Policy

Since at least January 1991, a UCSF official in the UCSF Chancellor's Office and the former UCSF campus attorney knew that departmental support groups, such as the foundation, were operating contrary to the Board of Regents' policy concerning support groups. Also, contrary to the regents' policy, the UCSF's development department approved some of the CPRT's and the foundation's fund-raising efforts. For example, the CPRT's fund-raiser provided us with documentation showing that the UCSF's development department approved the names of potential donors the CPRT and foundation planned to solicit. The fund-raiser also stated that the UCSF's development department approved fund-raising materials.

Fund-Raiser Not Legally Registered

The CPRT, the UCSF, and the foundation all have a duty to prudently spend funds entrusted to them. Moreover, when contracting with individuals or firms to represent them, these entities should exercise due diligence to ensure that the contractors operate legally. Caution is especially important when contracting with an individual or firm to

solicit charitable contributions. If such an individual or firm operates illegally, the represented entity can suffer embarrassment and potential damage to its reputation. Nevertheless, the CPRT contracted with a commercial fund-raiser (although neither the individual nor his corporation was legally registered) to solicit funds for the foundation and the CPRT.

Section 12599(b) of the California Government Code requires that commercial fund-raisers for charitable purposes be registered with the Attorney General's Registry of Charitable Trusts before soliciting any funds in California for charitable purposes, or before receiving and controlling any funds as a result of solicitation. Section 12599(a) defines a commercial fund-raiser for charitable purposes as any individual or corporation, or other legal entity, who, for compensation, solicits funds, assets, or property in the State for charitable purposes or receives or controls the funds, assets, or property solicited in the State. Such requirements afford protections not only to donors but to organizations that hire commercial fund-raisers to solicit donations on their behalf.

The contractor was a commercial fund-raiser according to the legal definition. He solicited funds for charitable purposes and received compensation for his services from both the foundation and the UCSF. In January and March 1993, the foundation, under the direction of the CPRT, issued two checks totaling \$6,900 to this fund-raiser. In addition, the UCSF issued five payments to the fund-raiser through his corporation totaling \$19,700 for services provided to the CPRT from March 1993 to September 1993. During these periods, the fund-raiser illegally solicited charitable funds, assets, and property for charitable purposes from numerous corporations. For example, he solicited donations from 21 corporations for Save-a-Life-Sunday at the San Francisco Zoo, a CPRT program. However, the fund-raiser, as an individual or as a corporation, was not registered as required by the government code. Moreover, according to the Attorney General's Registry of Charitable Trusts, the commercial fund-raiser was not registered as a commercial fund-raiser for charitable purposes in any year. The CPRT could have made this determination simply by calling the registry.

Fund-Raiser's Corporation Suspended

In addition to conducting illegal fund-raising activities, the fund-raiser's corporation illegally conducted business with the university during 1993. In November 1992, the Secretary of State suspended this corporation for failing to file a list of corporate officers. In January 1993, the

Franchise Tax Board suspended it for not paying its taxes. As of June 1994, the corporation was still suspended. Under California law, a suspended corporation cannot function as a corporation and is incapable of exercising corporate powers for business purposes. When a corporation is suspended, it may not legally transact business. Moreover, this information concerning a corporation's status is public information. Nevertheless, the university contracted with and paid the corporation \$19,700 in 1993, after its suspension.

Chapter 7

Misuse of UCSF Resources for Personal Benefit

Chapter Summary

In violation of University of California (university) policy, a Center for Prehospital Research and Training (CPRT) administrator and a CPRT official misappropriated university resources for their personal use and benefit. The CPRT administrator used CPRT staff to perform personal (non-CPRT) work, such as arranging personal travel, performing bookkeeping, filing personal documents, and hiring a housekeeper and child care provider. In addition, the CPRT administrator misused funds at the Foundation for Medicine (foundation) for her personal benefit and for the benefit of members of her family. The CPRT official used university resources to perform his personal services contracts (nonuniversity) with the Fire Department of the City and County of San Francisco (fire department).

Regents Standing Order No. 103.1(b) states that no portion of time due the university should be devoted to private purposes. Also, the Business and Finance Bulletin No. G-29 defines the misuse of university resources as the inappropriate use of university resources for nonuniversity purposes. Examples of misuse of university resources include performing or directing university personnel to perform nonuniversity work on university time and using university facilities or property for nonuniversity business. Finally, the University of California, San Francisco (UCSF), Administrative Policy Guide No. 50-11 states that faculty and staff may not use university property to pursue personal activities or endeavors.

UCSF Resources Misused by a CPRT Administrator

According to the written statements of five witnesses, the CPRT administrator used UCSF resources for personal benefit. These witnesses provided this information in writing to the state auditor and certified under the penalty of perjury that their statements were true and correct.

One witness observed a CPRT's clerical employee arranging the CPRT administrator's personal travel to Israel on UCSF time. Also, the witness observed the CPRT clerical employee managing the CPRT administrator's personal bills while the CPRT administrator was in Israel. Another witness stated that the CPRT clerical employee

arranged personal travel plans for the CPRT administrator, her husband, and her children, including air transportation, hotel arrangements, and golf reservations. A third witness stated that the CPRT clerical employee was at the CPRT administrator's personal residence during the clerical employee's regular CPRT work hours. The witness stated that the CPRT clerical employee was present during discussions related to the CPRT administrator's non-CPRT business. In addition, as we state in Chapter 1, the CPRT administrator used the CPRT clerical employee to prepare monthly reports that were a part of the CPRT administrator's job duties at the fire department.

According to a fourth witness, the witness did personal (non-CPRT) work for the CPRT administrator, at her instruction, while being paid by the UCSF. The witness stated that the business performed was filing for 6 hours per month over 12 to 18 months, for a total of 72 to 108 hours. Also, this witness stated that the CPRT clerical employee told the witness that she was performing personal (non-CPRT) work for a CPRT administrator. This non-CPRT work included doing the CPRT administrator's bookkeeping at the personal residence of the CPRT administrator.

We also found written documentation that the CPRT administrator used CPRT staff for other non-CPRT activities. For example, during July 1993, the CPRT staff participated in the hiring of an individual to perform housekeeping and child care duties for the CPRT administrator. At least 23 individuals called the CPRT office to inquire about the housekeeper and child care position. CPRT staff answered the telephone inquiries and obtained the names and telephone numbers of persons interested in the position. Later, CPRT staff faxed the names and phone numbers of these individuals to the CPRT administrator's home. In another example, according to UCSF personnel document, one of the CPRT clerical employee's duties was to keep the CPRT administrator's personal calendar.

In yet another example, we found that a CPRT official prepared a document to be used by the personal attorneys of the CPRT administrator at the administrator's direction. The CPRT official used a UCSF computer to prepare the document for the attorneys even though the document itself was personal in nature. Moreover, at least some of the time spent preparing the document was spent during the CPRT's normal office hours. Although witnesses confirmed that the administrator used CPRT staff to perform personal work on her behalf, we were unable to determine the number of CPRT hours staff spent on these non-CPRT activities, except for the 72 to 108 hours the fourth witness spent filing.

**Foundation Funds
Misused by a
CPRT
Administrator**

The CPRT administrator also used assets deposited to the foundation account to benefit herself and her relatives. As stated in Chapter 5, the CPRT deposited donations into a foundation account. The California Probate Code, Section 16004, states that a trustee of donated funds has a duty not to use or deal with trust property for the trustee's own profit or for any other purpose not connected with the trust, and not to take part in any transaction in which the trustee has an interest adverse to the beneficiary. In all matters connected with the trust, the CPRT administrator, as an individual handling moneys donated in trust, is bound to act in the highest good faith and may not obtain any advantage by the slightest misrepresentation, concealment, threat, or adverse pressure of any kind.

Nevertheless, the CPRT administrator used funds from the foundation account to pay her brother-in-law for job placement consulting work that he performed at the CPRT. From June 1991 through February 1993, the foundation paid more than \$17,300 to the CPRT administrator's brother-in-law. In addition, the foundation paid \$62 to the CPRT administrator's sister for parking. When the CPRT requested that the foundation pay the brother-in-law and the sister, no one at the CPRT, including the CPRT administrator, informed the foundation that these persons were the CPRT administrator's relatives. In addition, no conflict-of-interest information was provided to the foundation. Without such information, the foundation could not evaluate whether the payments to the relatives were appropriate.

Also, the foundation paid \$1,113 to the CPRT administrator's husband for entertainment expenses. For example, after the CPRT administrator authorized the payment, the foundation paid \$1,069 to the CPRT administrator's husband for entertainment at the Cliff House in San Francisco. No information was available in the records to indicate who was entertained, only that it was related to a Save-a-Life-Saturday committee dinner for 29 people. On another occasion, the foundation paid \$70 to the CPRT administrator's spouse for a lunch where CPRT "floor plans" were discussed by three individuals. It is not clear to us why the CPRT administrator's spouse would host events on behalf of the CPRT or why he would be involved in a discussion of CPRT floor plans.

In addition, the CPRT administrator used the foundation to pay her attorney for legal work performed on her personal behalf. The attorney denied that he represented the CPRT administrator at the foundation's expense. However, we found evidence that convinced us that the attorney did. For example, on October 14, 1992, the attorney wrote to

the executive of the Department of Medicine and stated that he represented the CPRT administrator. This attorney also provided legal services to the CPRT. However, because the attorney's billing to the CPRT included his services for both the CPRT administrator and the CPRT, we were unable to determine the exact amount paid on behalf of the CPRT administrator. In total, the foundation paid \$4,965 to the attorney for October 1992.

**UCSF Resources
Misused by a
CPRT Official**

A CPRT official used UCSF resources for his personal contracts with the fire department. Also, the CPRT official did not comply with university regulations for personal professional services. Although University Regulation No. 4 permits university faculty to provide professional services for compensation to outside agencies, the regulation states that these services cannot interfere with regular university duties.

From July 1989 through January 1994, the CPRT official personally contracted with the fire department. Under the contracts, the CPRT official provided quality assurance for the fire department's defibrillation program. The UCSF was not a party to the contracts. The fire department paid the CPRT official \$94,068 for 4,108.5 hours of service under his contracts. Table 9 shows the payments and the hours worked under the terms of the contracts.

**Table 9 Payments and Hours Claimed for the Contracts
Between a CPRT Official and the Fire Department
July 1989 Through January 1994**

Fiscal Year	Contract Payments	Hours Claimed
1989-90	\$14,760	738.0
1990-91	25,560	1,278.0
1991-92	25,588	1,049.5
1992-93	22,909	848.5
1993-94 ^a	5,251	194.5
Totals	\$94,068	4,108.5

^a July 1993 through January 1994.

According to five witnesses, the CPRT official conducted his personal contract work using UCSF facilities. These witnesses also provided statements in writing to the state auditor and signed the statements under the penalty of perjury. For example, two witnesses stated that the

CPRT official used university facilities while performing his personal contract work for the fire department. Another three witnesses stated that the CPRT official worked on his personal contract with the fire department using his CPRT computer during his CPRT work hours. Further, the CPRT official used his university computer to write correspondence related to this personal contract with the fire department. This correspondence included letters to the deputy fire chief and the quality assurance coordinator. Finally, one witness stated that the CPRT official's work on his personal contract took time away from his CPRT duties and that the CPRT work was adversely affected.

Chapter 8

Failure To Disclose Irregularities at the CPRT

Chapter Summary

In mid-1992, an executive of the Department of Medicine hired an accounting firm to review the Center for Prehospital Research and Training (CPRT). The auditor reported numerous irregularities in the CPRT's operations. However, after negotiations with the CPRT administrator and her attorney, the executive decided that the auditor's report would not be made public. Consequently, the report was not provided to responsible University of California (university) managers who were assigned administrative oversight of the CPRT. As a result of this failure to disclose the auditor's report, university officials were severely handicapped in their ability to correct the irregularities found by the auditor. Also, the auditor's report was not provided to the CPRT's advisory board of directors. Finally, the CPRT's board of directors was misled regarding the contents of the auditor's report because it was told that the auditor did not find any evidence of misuse of funds or malfeasance with the bank account.

Auditor's Report

After receiving complaints about the CPRT, the executive of the Department of Medicine hired a certified public accounting firm to review the CPRT's contracts and operations. The executive did not request the University of California, San Francisco (UCSF) Audit and Management Services Department to audit the CPRT because, at the time, he believed the issues involved were more of a management than a strict audit matter. Also, he believed that the outside bank account issue was related to the Foundation for Medicine (foundation). In retrospect, the executive believes it was a mistake not to have used the UCSF Audit and Management Services Department. The UCSF auditors are responsible for assisting university administrators in the effective discharge of their responsibilities, including their responsibility for safeguarding UCSF resources. Also, the UCSF auditors ensure that the UCSF complies with university and externally prescribed policies.

The executive specifically requested that the accounting firm review the secret, unauthorized bank account, any malfeasance, and the contract with the State's Employment Training Panel (ETP). Also, the executive told the CPRT administrator not to return to the CPRT while the auditor was conducting the review because her presence would not be helpful to the audit process.

On October 16, 1992, the accounting firm issued a report on its findings. The following is a summary of some of the auditor's findings and comments:

- The statement that the CPRT is a nonprofit organization within the foundation at the UCSF is not accurate.
- The CPRT does not follow many of the guidelines and rules of the foundation, the Department of Medicine, or the Board of Regents. The CPRT operates as an autonomous unit, subject to very little outside control or direction.
- The CPRT maintains few, if any, records of revenues or expense with regard to the unauthorized checking account. The minimal information available is fragmented and incomplete.
- Operating rules, regulations, and policies of the university, the Department of Medicine, and the foundation do not permit bank checking accounts.
- No formal records were maintained by the CPRT for the unauthorized checking account. What records were available were fragmented, frequently vague and unclear, lacking in documentary support, and susceptible to misrepresentation.

**Agreement to
Conceal
Auditor's Report**

After the accounting firm completed its work, an executive of the Department of Medicine met with the CPRT administrator and her attorney to discuss the auditor's findings. The CPRT administrator and her attorney requested that the executive direct the auditor to revise his report. Further, the CPRT administrator's attorney told the executive, "It is important that all copies (including computer disks) of [the accountant's] original product be disposed of and or deleted immediately so they cannot be discovered out of context or without the substantial corrections we have agreed to." The CPRT administrator felt that the audit was not a fair examination of the CPRT. Also, the CPRT administrator told us that she believed that the auditor's work contained poor analysis. Further, the CPRT administrator believed the audit work did not meet auditing standards. Moreover, the CPRT administrator stated that the auditor's conclusions were not factual and that the inferences and innuendoes were incorrect and unsubstantiated.

Finally, the CPRT administrator stated that the auditor's report contained many inaccurate numbers.

The executive refused to authorize any changes to the auditor's report. However, responding to the concerns of the CPRT administrator and her attorney, the executive agreed that the auditor's report would not be made public. The executive felt that several comments in the auditor's report were inappropriate. Although we believe the auditor's report warranted further investigation, the auditor's report was not provided to the Audit Committee of the Board of Regents, the Office of the President, the university auditor, the UCSF internal audit staff, or the university external auditors.

**Possible
Misrepresentation
of Audit Results to
UCSF Officials**

In late December 1992, the executive discussed the auditor's results with high-ranking UCSF officials. According to the Department of Medicine executive, he provided the high-ranking officials with "a complete and accurate description of the contents of the report." However, he did not give or show the auditor's report to the participants in the meeting. Although the Department of Medicine executive told us that he fully disclosed the audit report contents, the executive wrote to the CPRT administrator, on January 19, 1993, stating the following:

They [the high-ranking UCSF officials] were pleased that the Center was in a relatively sound financial state without significant deficits, and that there was no evidence of financial mismanagement or malfeasance. Concern was expressed over the fact that the Wells Fargo account was opened in violation of University guidelines and that the CPRT was operating without adequate university oversight. Concern was also expressed over the potential financial risk associated with the terms of the paramedic training program contract with the state Employment Training Panel.

After reviewing the accounting firm's report, we believe that the auditor did not conclude that there was no evidence of financial mismanagement or malfeasance. In fact, the auditor's conclusions are similar to the findings contained in this investigative report.

We could not determine whether the Department of Medicine executive accurately portrayed the audit results in the December meeting. However, the executive did send a copy of his January 19, 1993, letter to the participants of the December 1992 meeting. Regardless, we believe that the executive should have provided the auditor's report to

the high-ranking campus officials or that the officials should have requested a copy of the auditor's report. Furthermore, we believe that, without the auditor's report, these high-ranking campus officials were severely hampered in their ability to manage the CPRT.

**Auditor's Report
Not Provided to
Other UCSF
Officials**

Although the executive discussed the accounting firm's report with high-ranking officials, he did not provide the report to the managers who were assigned administrative oversight of the CPRT. These included the officials from the Division of Emergency Services, Nursing Services, and the School of Medicine. We believe that, without the information contained in the auditor's report, they were severely handicapped in their ability to recognize and correct the deficiencies found by the auditor. Also, the executive did not provide the accounting firm's report to the UCSF Audit and Management Services Department.

In addition, although the foundation paid for the auditor's report, the executive did not provide copies of the auditor's report to the foundation's board of directors. The board is responsible for the foundation's operations. Further, the executive did not provide the auditor's report to the CPRT advisory board of directors. The CPRT board provides assistance to the CPRT in various matters, including fund-raising activities. The advisory board includes CPRT donors and university officials.

**CPRT Advisory
Board Misled**

The CPRT advisory board of directors was misled regarding the results of the auditor's report. At two of the board meetings on November 30, 1992, and January 14, 1993, the CPRT administrator made false and misleading statements regarding the auditor's report to board members. In addition, the official minutes of another board meeting, held on October 8, 1992, are false and misleading regarding the contents of the auditor's report.

October 8, 1992, Meeting

The October 8, 1992, minutes, submitted by the board chairperson stated the following:

[An executive of the Department of Medicine] decided an independent audit should be done to clarify the situation. He hired . . . an accountant who has previously audited similar University accounts. The final report is not yet in hand, but the preliminary findings show . . . no evidence of misuse of funds or malfeasance with the account at Wells Fargo Bank. He indicated he would make recommendations on improving the

documentation for expenditures, as well as recommend a mechanism to ensure that appropriate fiscal controls are in place. [He] stressed that all allegations have proven to be without foundation.

The executive told us that the above minutes from the October 8, 1992, meeting are a gross misrepresentation of his statements. Specifically, the executive told us that the statements concerning the preliminary audit are inaccurate. Further, the executive added that some of the above comments are grossly distorted, while other statements were made by the CPRT administrator. According to the executive, he felt it was inadvisable to raise objections and ask for a revision of the minutes because the minutes were signed by the board chairperson. Whether or not the executive made the statement, the information in the minutes is false and misleading regarding the contents of the auditor's report. Moreover, there is no evidence that the Department of Medicine executive objected to the misrepresentations made at the meeting.

Also, the minutes and the executive do not agree on what actually happened at the same meeting regarding a press release clearing the CPRT administrator of any wrongdoing. According to the minutes, the board unanimously agreed that the university should issue a press release clearing the CPRT administrator and the CPRT of any wrongdoing and stating the university's and the board's strong support for the CPRT administrator's programs. Further, the minutes stated that the executive agreed that a press release should be issued. However, according to the executive, he did not agree that the university should issue a press release clearing the CPRT administrator and the CPRT of any wrongdoing.

To determine what the board members were actually told by the executive, we interviewed board members and a CPRT staff member who were present at the October 8, 1992, meeting. According to one CPRT board member, the CPRT administrator led most of the discussion at the meeting. Also, the member recalled that the CPRT administrator, not the executive, described the origin and outcome of the audit but was not able to provide board members with copies of the audit because it was not yet complete. The member recalled the board being somewhat confused about the CPRT administrator's description of the results of the audit, especially regarding "allegations," given that the audit was not yet finished nor available publicly. The member thinks that the executive may have said something to the effect that there was no wrongdoing. Finally, this member stated that the board voted to ask the chancellor to issue a statement supporting the CPRT. However, the

member did not recall the executive participating in this part of the discussion.

Another board member could not remember who said what. However, the member remembered that the board was assured that an audit was under way. Finally, the board's chairperson stated that the board minutes of the October 8, 1992, meeting are accurate.

A CPRT employee stated that she took notes of the October 8, 1992, meeting and prepared the minutes. After the minutes are drafted, the CPRT administrator or the board chairperson reviews the minutes. The employee stated that the CPRT administrator has never added information that was not presented at the board meeting or changed the contents or substance of the minutes. Also, the employee stated that she sent the October 8, 1992, minutes to the executive for his review. Finally, this employee stated that the executive did not notify the CPRT of any comments or changes to the minutes.

November 30, 1992, Meeting

According to minutes of the November 30, 1992, board meeting, a board member asked to see a copy of the final audit. The CPRT administrator informed her that it would not be available until the board's December 1992 meeting but said that the report would be brought to the board shortly thereafter. However, during this time, the CPRT administrator was trying to get the executive to conceal the auditor's report.

January 14, 1993, Meeting

At the January 14, 1993, board meeting, the same board member again asked to see a copy of the final audit. However, according to the minutes of the meeting, the CPRT administrator's attorney told the board that the Department of Medicine hired an outside auditor for "feedback only." The audit was not intended for public record.

Also, at the January 14, 1993, meeting, the board was again misled. According to the minutes of the meeting, the CPRT administrator told the board that high-ranking officials had discussed the CPRT operations. The CPRT administrator told the board that the executive reported that the audit and paramedic program budget were in order and that the contract with the ETP would break even. Further, the CPRT administrator stated that allegations regarding the unauthorized bank account were reviewed and that no evidence of malfeasance was found. Although this information may accurately reflect the executive's

December 1992 meeting with the above individuals, it does not accurately reflect the conclusions of the auditor's report.

Chapter 9

Gross Mismanagement of the CPRT

Chapter Summary

The University of California, San Francisco (UCSF), grossly mismanaged the Center for Prehospital Research and Training (CPRT). One factor contributing to the CPRT's mismanagement was the gross mismanagement by a CPRT administrator. The CPRT administrator did not manage the CPRT in accordance with established laws and University of California (university) policies and procedures. Also, the CPRT administrator was working three jobs at the same time. Specifically, she worked for the CPRT, the Fire Department of the City and County of San Francisco (fire department), and a hospital emergency room. A second factor contributing to the gross mismanagement was the frequent turnover of UCSF officials assigned to monitor the CPRT operations. There have been five changes in the individuals assigned oversight responsibility for the CPRT since 1992. A third factor contributing to the gross mismanagement of the CPRT was the failure of the UCSF officials to correct the management problems at the CPRT.

A CPRT Administrator's Gross Mismanagement

A CPRT administrator grossly mismanaged the CPRT. The CPRT administrator was the individual who directly supervised the CPRT daily operations and its staff. As this report illustrates, the CPRT administrator did not manage the CPRT in accordance with established laws and university policies and procedures. Compliance with these university policies and procedures and legal requirements are essential for effective and efficient management. Also, as the principal investigator for the CPRT contracts, she had the primary responsibility for management of the contracts, the financial management of the project funds, and adherence to all requirements, including record-keeping requirements.

However, the CPRT administrator did not exercise her management responsibility over the CPRT and its staff. For example, the CPRT administrator had conflicts of interest related to the contracts between the UCSF and the fire department. These conflicts of interest resulted in the misuse of UCSF resources and adversely affected her performance at the UCSF. In another example, the CPRT administrator permitted illegal and improper acts related to CPRT payroll. These improper and illegal payroll activities began in January 1991 and continued until March 1994. In a third example of gross

mismanagement, the CPRT administrator authorized the opening of a secret, unauthorized bank account and a petty cash fund. Further, under her management, she permitted the use of the bank account and the petty cash fund for improper and imprudent expenditures. Also, because she did not ensure that the CPRT established minimum controls to protect the university's resources, cash and documentation of expenditures are missing. In a fourth example, the CPRT administrator mismanaged the fund-raising efforts on behalf of the CPRT and foundation by allowing CPRT staff to make false and misleading statements to potential and actual donors. She also improperly deposited university donations into a nonuniversity account, and improperly used a fund-raiser who was operating illegally in California. In a fifth example of gross mismanagement, she misused UCSF resources for her personal benefit and permitted another CPRT employee to misuse UCSF resources for his personal benefit. Finally, she made false and misleading statements to the CPRT advisory board of directors.

One factor that contributed to the poor management of the CPRT was that the CPRT administrator was working three jobs at the same time. The CPRT administrator worked at the UCSF. She also worked at the fire department as a emergency medical service official. Finally, she worked as a physician at a local hospital. Although there is some evidence that the CPRT administrator requested administrative assistance from higher-ranking officials at the UCSF, she failed to fulfill her management responsibilities.

Frequent Turnover of UCSF Managers

Another factor contributing to the poor management of the CPRT was the frequent turnover of university officials assigned oversight responsibility for the CPRT. Specifically, there have been five changes in the individuals with this responsibility since 1992. Before June 1992, an official of the Division of Emergency Services at the Moffitt-Long Hospital was responsible for the CPRT. From June 1992 to December 1992, the Department of Medicine executive was responsible for the oversight of the CPRT. In January 1993, the management oversight was transferred back to an official of the Division of Emergency Services and to the nursing administrator at the UCSF Medical Center.

However, because of interpersonal conflict between the CPRT administrator and the official of the Division of Emergency Services, the nursing administrator at the UCSF Medical Center was assigned oversight responsibility for the CPRT and the official of the Division of Emergency Services was removed from any oversight responsibility.

However, the nursing administrator stated that she did not begin her oversight responsibility until March 15, 1993. From January to March 15, 1993, the UCSF did not provide any management oversight over the CPRT. In August 1993, the management oversight, except for personnel matters, was transferred to the Dean's Office in the School of Medicine. In April 1994, administrative oversight was transferred to the chancellor's office.

In addition, confusion existed over who was responsible for the management oversight of the CPRT between August 1993 and April 1994. The CPRT administrator, the Department of Medicine executive, and the official of the Division of Emergency Services told us that the Dean's Office in the School of Medicine was responsible. However, the School of Medicine executive told us that his oversight responsibilities were atypical. The School of Medicine executive stated that he was responsible only for the CPRT's long-term strategic planning and that the Department of Medicine was responsible for the CPRT's daily operations.

However, in a letter dated July 30, 1993, the School of Medicine executive, stated that the general administrative responsibility for the CPRT, including the budgetary activities, would be transferred to the Dean's Office in the School of Medicine. The Department of Medicine would continue to be responsible for the personnel matters of the CPRT.

**Officials Failed to
Correct CPRT
Management
Problems**

Although some UCSF officials knew that management problems existed at the CPRT, they did not take appropriate action to correct them. These officials included a School of Medicine executive, the Department of Medicine executive, an official of the Division of Emergency Services, the nursing administrator at the medical center, and a UCSF campus counsel.

The official of the Division of Emergency Services was in charge of the CPRT from its inception in 1988. This official expressed his concern regarding problems at the CPRT in May 1992. Specifically, the official stated that he could no longer assure anyone that the CPRT finances were appropriately managed or that personnel hiring and selection processes met university standards. However, as the person responsible for the oversight of the CPRT, he did not take any effective actions to correct the management problems. Instead, he resigned his oversight responsibilities in May 1992.

After the official of the Division of Emergency Services removed himself from responsibility for the CPRT, the Department of Medicine

executive assumed responsibility. In June 1992, the Department of Medicine executive received a report of a management review of the CPRT conducted by a consulting firm. Although their report did not discuss specific management deficiencies, the firm made 38 recommendations for strengthening and streamlining the internal organization of the CPRT. Considering the number and type of recommendations made by the consulting firm, it was reasonable to infer that serious management problems existed at the CPRT. The report contained 20 recommendations to improve the administration of the CPRT, including recommendations to define basic responsibilities for all CPRT staff and establishing regular working hours for staff. The consulting firm made 10 recommendations to improve its financial management, including recommendations for developing budgets and implementing a purchase-order system to track expenditures and adherence to budgets. Also, the consulting firm made 8 recommendations to improve its fund-raising and external relations.

In addition, several employees of the CPRT complained to the Department of Medicine executive that the CPRT had serious management problems. For example, in September 1992, one CPRT employee complained to the Department of Medicine executive about several problems including payroll irregularities, an improper bank account, and excessive spending by CPRT officials. The employee stated that it was current practice for many employees to add numerous hours to time records in order to obtain salaries promised by the CPRT administrator or to give oneself a raise since merit increases had not been available.¹² During the same time period, a second CPRT employee complained to the Department of Medicine executive about various CPRT irregularities, including personnel problems and the outside bank account. This second employee complained to the executive because he believed that the executive was the person directly responsible for the CPRT.

After receiving complaints from these CPRT employees, the Department of Medicine executive hired a certified public accounting firm to conduct a review of the contracts and operations of the CPRT. However, although the executive had received specific complaints about payroll irregularities, he did not request the accounting firm to review the payroll practices of adding hours to time records to receive a higher salary. Moreover, as discussed in Chapter 8, the executive failed to provide the auditor's report that he received in October 1992 to the appropriate university officials.

¹² Improper and illegal payroll procedures are discussed in Chapter 2.

In another example of failure to correct CPRT problems, the UCSF Medical Center nursing administrator discovered that the CPRT payroll system did not comply with university policies and procedures in spring 1993. Also, other UCSF officials became aware that the CPRT was not observing university payroll requirements. These officials included the School of Medicine executive, the Department of Medicine executive, and the former UCSF campus counsel.

In 1993, the nursing administrator instructed the CPRT to bring its payroll system into compliance with university requirements. Specifically, she instructed the CPRT to pay all university staff at the rates established by the university and not to adjust the hours worked. However, after learning of the CPRT's payroll irregularities, neither the nursing administrator nor the other UCSF officials ensured that the CPRT complied with university payroll requirements. If these UCSF officials had requested the UCSF Audit and Management Services Department to conduct an audit to determine whether the CPRT had corrected its payroll procedures, the failure to comply with university payroll requirements would have been found. Also, the UCSF auditors may have discovered that several other units within the Department of Medicine and other departments in the School of Medicine used similar improper payroll procedures to pay employees more than they were entitled to receive.

Conclusion Although several UCSF officials knew that the CPRT had management problems, these officials failed to correct the problems. As a result of this inaction, the UCSF cannot assure the State's taxpayers that its funds were accounted for and spent properly. Also, the UCSF did not safeguard its resources and failed to promote an effective and efficient use of resources at the CPRT.

We conducted this investigation under the authority vested in the state auditor by Section 8547 of the California Government Code and in compliance with applicable investigative and auditing standards. We limited our review to those areas specified in the scope of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Kurt R. Sjoberg", written in a cursive style.

KURT R. SJOBERG
State Auditor

Date: November 22, 1994

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University Response

The University of California, San Francisco (UCSF), reported that it has taken action to correct some of the problems discussed in this report. For example, the UCSF stated that it has stopped the overreporting of hours in order to pay salaries higher than those officially approved at all units of the Department and School of Medicine. In addition, the UCSF stated that both the outside bank account and the petty cash fund have been closed and all funds have been transferred to proper UCSF accounts. Further, the UCSF plans to formally recognize the Foundation for Medicine as a university support group as of December 31, 1994, and will assume more direct control over the foundation's fund-raising and accounting. Furthermore, the UCSF will assess the need for additional corrective action, including taking possible disciplinary action against one or more UCSF employees and addressing the need for more formalized training of campus leadership in their managerial responsibilities and accountability.

Finally, although the UCSF acknowledges several of the serious problems cited in our report, the UCSF disagrees with a number of our conclusions and findings. For example, the UCSF does not believe that the CPRT's administrator's dual employment at the UCSF and the Fire Department of the City and County of San Francisco (fire department) constituted a conflict of interest. Nor does the UCSF agree that there was any misuse of university resources for the benefit of the fire department. In addition, the UCSF does not agree that there were false certifications made to the City and County of San Francisco regarding the number of hours worked by one employee at the UCSF. Also, the UCSF does not agree that it improperly charged the fire department for time not worked on behalf of the fire department. Further, the UCSF believes that expenditures from the outside bank account and petty cash fund were proper and prudent. Furthermore, although the UCSF concedes that restricted donations were commingled with other funds, the UCSF believes that the CPRT honored donor restrictions and spent them in compliance with university and foundation policies. Moreover, the UCSF does not believe that the CPRT intentionally provided false information to donors and claims that a letter from the Internal Revenue Service distributed to donors was authentic.

Finally, the UCSF appended to its response a list of what it believes to be errors in and omissions from our report. We have fully reviewed this list and disagree that we have made errors in our report. With regard to

alleged omissions, we believe that our report fully addresses all information that is both pertinent and fully supported by evidence. The omissions the UCSF claims we have made are either outside the scope of our review, unsupported by adequate evidence, or, in fact, included in the report.

cc: **Members of the Legislature**
 Office of the Lieutenant Governor
 State Controller
 Legislative Analyst
 Assembly Office of Research
 Senate Office of Research
 Assembly Majority/Minority Consultants
 Senate Majority/Minority Consultants
 Capitol Press Corps